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The BAe/GEC merger

Tomorrow in the Financial Times: the inside story of the deal to create the world's third largest defence company, leaving French and German rivals seething on the sidelines.

BRITISH AEROSPACE GEC

WORLD NEWS

Brussels raises stakes in trade dispute with US

The dispute between the US and the European Union over trade in bananas escalated as Brussels sought to prevent Washington from obtaining the approval of the World Trade Organisation to *impose sanctions on EU exports.* **Page 24**

Speed urged in defence integration Ministers and officials from six countries yesterday tried to speed up the progress towards integration of European aerospace and defence industries. **Europe, Page 3**

Fischer warns on euro stability Joschka Fischer, Germany's foreign minister, warned that Europe's new single currency could be destabilised if European Union nations failed to implement reforms. **Europe, Page 2**

US deficit soars to $15.5bn The US trade deficit in goods and services soared to $15.5bn in November, as the global downturn hit the otherwise strong American economy. **US, Page 6**

World Bank's effectiveness slips The long-term effectiveness of World Bank projects in east Asia and the Pacific has dropped sharply following the Asian financial crisis. **International, Page 4**

ECB widens band on rates The European Central Bank stuck to its decision to widen the band between its emergency deposit and lending rates, despite pressure for a narrower band. **Europe, Page 2**

Thai asset sale to resume Thailand's attempt to sell assets seized in 1997 from bankrupt companies resumes next month with the auction of 134 pieces of real estate. **Asia-Pacific, Page 7**

New efforts to curtail impeachment US Democrats have renewed their efforts to bring President Bill Clinton's impeachment trial to an early conclusion. **US, Page 6**

German economic growth slowing German economic growth is slowing, *the job market* is deteriorating and business confidence fell in December for the seventh month in a row. **Europe, Page 2**

Russians mark Lenin's death Russia's Communist faithful yesterday marked the 75th anniversary of the death of revolutionary Vladimir Ilich Lenin.

Iraqi opposition rejects aid offer Iraq's main Shi'ite *Moslem* opposition group has rejected an offer of aid from Washington to help finance efforts to topple President Saddam Hussein.

China defends human rights record China brushed aside US outrage at its human rights policies, inviting critics to visit the country and see for themselves the freedoms enjoyed by *average Chinese.*

BUSINESS NEWS

French PM backs possible link-up by Nissan and Renault

French prime minister Lionel Jospin threw his weight behind a possible tie-up between Nissan Motor, Japan's second biggest carmaker, and Renault, the partly state-owned French carmaker. *Companies and markets,* **Page 25; Lex, Page 24**

LVMH, the French luxury goods leader, is to buy Krug from Rémy-Cointreau, the wines and spirits group, for FFr1bn (€152m, $177m), the highest price paid for a champagne house. **Companies and markets, Page 25**

Gazprom, the Russian natural gas producer, will set up an offshore company to secure foreign credits for its key $2bn pipeline project in an innovative attempt to raise money in the wake of the Russian financial crisis. **Companies and markets, Page 25**

German economic growth is slowing significantly, the job market is deteriorating and business confidence fell in December for the seventh month in a row, according to two new reports. **Europe, Page 2**

Ford Motor Company, the second largest US car and truck maker, forecast only a slight weakening in the strong North American auto market this year. **Companies and markets, Page 25; Personal view, Page 22**

Sears, the struggling UK conglomerate, accepted an increased offer of £549m ($906m) from Philip Green, the retail entrepreneur. **Page 30**

Prescription drugs sales in North America rose 11 per cent to $77.4bn in the year to November 1998. **Trade, Page 5**

Intel, the US chipmaker, has signed a letter of intent to invest in Samsung Electronics, South Korea's biggest semiconductor company, by purchasing $100m of convertible bonds. **Asia-Pacific companies, Page 29**

Thailand's leading banks reported huge full-year losses as provisions for bad debt hit their profitability and capital ratios. **Asia-Pacific companies, Page 29**

Lego Group, the Danish toymaker, warned losses for last year might reach Dkr300m ($47m). The group suffered an earnings plunge in 1997 after 15 years of stronger revenues and higher profits as children opted for more high-tech toys. **Europe companies, Page 27**

Euro Prices

A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.
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Argentina studies dollar blueprint

Buenos Aires could replace peso in bid to restore stability

By Ken Warn in Buenos Aires and Stephen Fidler in Washington

Argentina's central bank *yesterday presented the government* with a blueprint on how the country could surrender its currency in favour of switching to the US dollar.

The radical step could prompt other Latin American countries to consider abolishing their own national currencies and entering a new dollar zone in a bid to restore stability to the region.

President Carlos Menem ordered the report from Pedro Pou, central bank president, last week as the Brazilian devaluation crisis broke.

Submission of the report came against a background of further currency turmoil in Latin America. The Brazilian Real had weakened a further 8 per cent against the US dollar by mid-afternoon, reviving fears of mounting inflation.

Argentina already has a currency board which locks the peso to the dollar. A majority of bank deposits are in dollars, as are many long-term contracts such as mortgages.

But a full-scale switch to the dollar would be politically sensitive. Because only the US Federal Reserve would have the power to print dollars, the US would have greater control over the Argentine economy.

Some – but not all – senior economy ministry officials are promoting the idea enthusiastically *and meetings* have *already* taken place with US Treasury and Federal Reserve officials.

Mr Pou told ministers the best option would not be to act unilaterally, but to dollarise under the terms of a binding accord, or "monetary association treaty", with the US.

Other nations in the region would be free to negotiate signing the treaty. *Private-sector* groups in Mexico have recently advocated a stronger link to the dollar.

Dollarisation would require detailed negotiation with the US, and would have to be approved by Argentina's congress. Officials said the idea had been under discussion for some time and was not a short-term response to the Brazilian crisis.

However, the Brazilian devaluation and Mr Menem's frustration over the high interest rate premium Argentina has to pay due to investors' fears of devaluation appear to have given added impetus to the debate.

For some time officials have been studying how to "deepen" convertibility, the currency board system which pegs the peso to the dollar at par, and enhance stability. Under the system, introduced in 1991, Argentina has brought its fiscal deficit under control and registers one of the world's lowest inflation *rates.*

However, investor perceptions of a devaluation risk are reflected in higher interest rates. Officials argue surrendering the peso to eliminate those concerns would bring benefits similar to those achieved by the countries entering European monetary union.

The US is ready to explore the issue further, according to an individual in Washington familiar with the discussions.

Argentina can dollarise without US agreement, but economists say that co-operation with the US over a number of issues – particularly over the operation of the "lender of last resort" function in the event of a financial crisis – would improve its operations.

Mr Pou yesterday termed such a negotiated option "dollarisation-plus". Other difficult issues would have to be thrashed out with the US, including the issue of seignorage – the interest earned by the central bank on the dollar reserves used to back the currency under convertibility.

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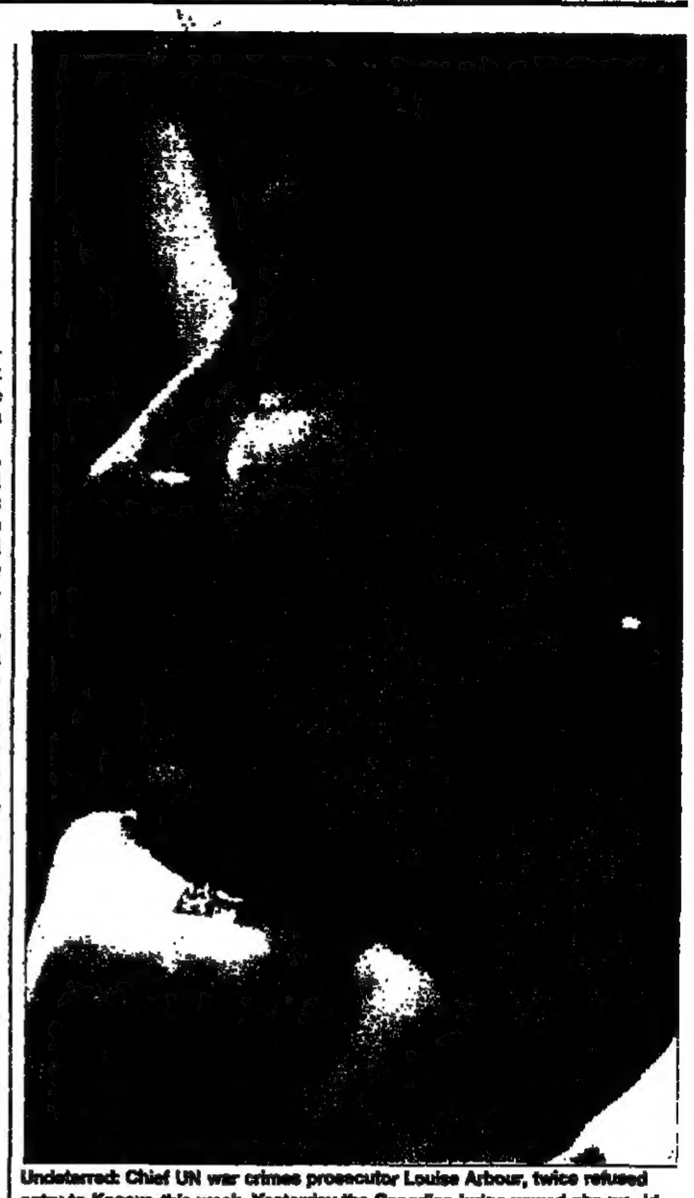

Undeterred: Chief UN war crimes prosecutor Louise Arbour, twice refused entry to Kosovo this week. Yesterday the Canadian judge vowed she would continue investigating the Racak massacre. Pressure on Milosevic, Page 2. AP

FRENCH PRIME MINISTER SAYS COMPENSATION 'WILL HAVE TO BE FOUND' FOR SCRAPPING REPROCESSING AGREEMENTS

Jospin warns Bonn over nuclear contracts

By Robert Graham in Paris, Andrew Taylor in London and Frederick Stüdemann in Bonn

Lionel Jospin, the French prime minister, warned the German government yesterday that it risked upsetting international *relations if it scrapped nuclear* reprocessing contracts backed by the previous administration.

German plans to halt reprocessing of its spent nuclear fuel at French and British plants from the end of this year also came under fire from British ministers and members of the European Parliament.

Mr Jospin, in a French parliamentary debate on energy policy, rejected German arguments that French and British nuclear reprocessing companies would not be eligible for substantial financial compensation because a change in government policy represented *force majeure.*

He said: "A *friendly neighbour* makes his choices: nevertheless there are international commercial agreements. If alternating governments [in Germany] can use *force majeure* to question international treaties, this will destabilise international relations. There is no reason to pour oil on the fire, but we have every reason to defend our legitimate interests. Adequate damages will have to be found."

Dr Gordon Adam, vice-chairman of the European Parliament's energy committee, expressed concern at apparent contradictory signals from Bonn after Werner Müller, Germany's *economics minister,* told *the committee* on Tuesday he thought contract terms should be observed.

Dr Adam said: "I don't think the new German government has fully thought through its energy policy, which is why we are receiving contradictory signals."

Stephen Byers, British trade and industry secretary, said: "We should not let the Germans off the hook. To be blunt about it, they have got to honour their legally binding contracts."

Until now, the French government had sought to play down the conflict and still hopes a bilateral commission, agreed in *December with Chancellor Gerhard* Schröder, will lessen the controversy.

The total value of reprocessing contracts at risk with the French nuclear reprocessor, Cogema, is estimated at DM9bn (€4.6bn, $5.3bn). At least 15 per cent of Cogema's La Hague facility in northern France was conceived to handle spent German fuel. The total value of contracts with British Nuclear Fuels, which employs 2,000 people in northern England, is DM3.9bn.

Jürgen Trittin, Germany's Green environment minister, yesterday said he was sure Mr Jospin would agree that national *parliaments were the highest* authority in a democracy, meaning a German parliament decision to end reprocessing would constitute *force majeure.*

German government officials denied there was a fundamental split between Mr Trittin and Mr Müller, and claimed it was possible to avoid compensation having to be paid.

Laura Ashley turns to TV evangelist

By Maggie Urry

Laura Ashley, the international retailer of English country style from frocks to furniture, is seeking divine help for its earthly problems by appointing Pat Robertson, the American evangelist, as a non-executive director.

Mr Robertson, prominent TV preacher and former Republican presidential candidate, owns 2m shares in the company. He will help in its effort to overcome years of seemingly intractable difficulties which a string of chief executives has failed to solve.

Another chief executive was appointed yesterday, taking the total to eight since the group listed on the stock market in 1985. So is it turning to the power *of prayer?* A senior company official said: "If that's what it takes... and don't quote me on that."

One analyst said: "It will certainly take a miracle to sort out Laura Ashley."

The difficult task now falls to Kwan Cheong Ng, who is replacing Victoria Egan as chief executive. Mrs Egan, appointed in August is leaving the group for family reasons and will not receive compensation.

Mr Ng, already a non-executive director of Laura Ashley, is managing director of Metrojaya, the retailing arm of Malayan United Industries, the group that last year paid £43.7m ($72m) for a 40 per cent stake in Laura Ashley. Jusco, a Japanese group, owns a further 9 per cent of the shares.

Laura Ashley's story is one of the great disasters of British retailing.

Founded by Laura Ashley in her kitchen, it soared to success. But Mrs Ashley died in an accident shortly before the company entered the stock market.

International expansion throughout North America, Europe and Asia has meant that the group has as many stores overseas as it does in the UK. But these have brought numerous problems with stock and distribution. The group is expected to lose £18m before tax in its financial year which ends this month.

The group's chairman is John Thornton, newly appointed co-chief operating officer of Goldman Sachs, the investment bank. Stephen Cox, company secretary, said Mr Thornton would continue to devote significant time to Laura Ashley.

As for Dr Robertson, Mr Cox said: "He is a very, very wealthy and successful entrepreneur."

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9,272.89	(-63.09)
NASDAQ Composite	2,355.19	(-60.30)
Europe and Far East		
CAC40	4,154.03	(-35.95)
DAX	5,156.67	(+13.61)
FTSE 100	6,022.3	(-83.3)
FTSE Eurotop 300	1,214.21	(-15.71)
Nikkei	14,245.43	(+217.37)
US Lunchtime RATES		
Federal Funds	4.5%	
3-mth Treas Bills: Yld	4.32%	
Long Bond	101$\frac{1}{32}$	
Yield	5.13%	
OTHER RATES		
UK: 3-mo Interbank	5$\frac{11}{16}$%	(5$\frac{13}{16}$%)
UK: 10 yr Gilt	137.95	(137.35)
BBA Eurolibor	3$\frac{1}{16}$%	(3$\frac{1}{32}$)
Germany: 10 yr Bund	108.40	(108.19)
Japan: 10 yr JGB	100.136	(100.193)
NORTH SEA OIL (Argus)		
Brent Dated	$11.12	(10.945)

GOLD		
New York Comex	$288.0	(287.5)
London	$288.45	(295.65)
DOLLAR		
New York: Lunchtime		
£	1.65485	
€	0.8618	
SFr	1.3823	
Y	114.05	
London		
£	1.6519	(1.6474)
€	0.8638	(0.8643)
SFr	1.3852	(1.3881)
Y	113.205	(112.505)
Tokyo Close		Y 113.20
EURO (London)		
$	1.1583	(1.1571)
£	0.7012	(0.7024)
Y	131.125	(131.331)
SFr	1.6045	(1.6061)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price £2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90 (€2.23)	Italy	L3900 (€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320 (€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr16.00	Latvia	Ls1.85	South Africa	R18
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325 (€1.95)
Finland	Fmk13.00 (€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00 (€2.13)	Luxembourg	LFr90 (€2.23)	Switzerland	SFr3.50
Gibraltar	£0.75	Morocco	Dh19.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80 (€2.18)	Tunisia	Din2.000
Hungary	Ft300	Norway	NKr19.00	UAE	Dh13.00

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EXPULSION DEADLINE EXPIRES BUT OSCE ORDERS LEADER OF INTERNATIONAL OBSERVER MISSION TO DEFY YUGOSLAV PRESIDENT AND STAY AT HIS POST

Milosevic pressed to keep ceasefire in Kosovo

By Guy Dinmore in Belgrade

Yugoslav President Slobodan Milosevic came under concerted international pressure yesterday to uphold a ceasefire in Kosovo and cancel a decision to expel William Walker, head of the international observer mission in the Serbian province.

As the three-day deadline for his departure expired, Mr Walker was still in Kosovo, told by the Organisation for Security and Co-operation in Europe (OSCE) to remain at his post in defiance of his expulsion order.

Diplomats said that, under advice from Nato, Mr Walker cancelled plans to fly to Belgrade for fear the Yugoslav authorities would divert his aircraft out of the country.

Kofi Annan, UN secretary-general, urged Mr Milosevic to rescind the decision and allow the UN war crimes tribunal to investigate the deaths of 45 ethnic Albanians in Racak village last Friday. Belgrade gave Mr Walker his marching orders after he accused Serbian police of massacring them in cold blood.

Two senior US envoys, James Pardew and Chris Hill, were *negotiating* with Mr Milosevic in Belgrade as the deadline for Mr Walker's expulsion passed. On Tuesday, Nato's two senior generals, Wesley Clark and Klaus Naumann, left similar talks empty handed.

But diplomats hoped the Yugoslav president would find a way out of the confrontation. Mr Walker has also received death threats from the "Black Hand", a shadowy Serb nationalist group.

The OSCE's 54 member states agreed in Vienna that the entire mission of 800 unarmed observers would leave Kosovo if Mr Walker were forced out.

This would take away the thin line that has so far prevented Kosovo sliding back into all-out war.

Departure of the monitors would also remove an obstacle to Nato air strikes. The monitors have been put on "stage one" alert, meaning they are ready to leave at a moment's notice. Nato regards intervention as a last resort and there are indications that unanimous backing within Nato for military action could be hard to achieve.

Joschka Fischer, German foreign minister, said the use of force must be a "last possible option". "What is the objective of the exercise? In the light of what happened in Iraq, these are massive questions," he said, in reference to the recent US-British bombing of Iraq. The OSCE dispatched its current chairman, Knut Vollebaek, Norwegian foreign minister, to Belgrade to try to negotiate a way out of the crisis.

Responding to French press reports that cast doubt on the alleged massacre in Racak, the OSCE said it stood by Mr Walker's assessment.

Mr Milosevic has refused to grant access to UN war crimes investigators. But a team of Finnish forensic experts were yesterday allowed to start examining the corpses lying in a state morgue. Louise Arbour, chief war crimes prosecutor, said yesterday she would investigate the deaths in Racak "with or without access to the territory".

German business confidence dips again

By Tony Barber in Frankfurt

German economic growth is slowing significantly, the job market is deteriorating and business confidence fell in December for the seventh month in a row, according to two reports published yesterday.

The Bundesbank's monthly report for January and the business climate index of the Ifo research institute portrayed an economy badly affected by a drop in demand for German exports, related partly to the financial crises in Asia, Russia and Latin America.

The slowdown in the German economy, which accounts for about 36 per cent of output in the euro-zone, is proving so sharp that many politicians want the European Central Bank to cut interest rates.

Oskar Lafontaine, Germany's finance minister, who says a looser monetary policy would benefit the economy, told parliament yesterday: "It's undeniable that supply-side reforms are needed. But first, higher overall economic demand is needed to translate into *more employment*." Mr Lafontaine's views have attracted indirect criticism from Wim Duisenberg, ECB president, and Hans Tietmeyer, the Bundesbank president. They contend the euro-zone's high levels of unemployment will not fall without structural reforms such as less punitive tax regimes and more flexible labour markets.

The Bundesbank's report said the German jobs market was "no longer as favourable *as during the summer* months" of last year, because some government-funded job creation schemes had come to an end and the country had experienced an unusually severe early winter. Unemployment rose in December to 4.16m, or 10.8 per cent of the workforce.

"In the autumn of last year, the economy lost a significant degree of momentum, influenced partly by dampening effects from the world's various crisis regions. Industry was especially affected by this," the Bundesbank said. "In particular, demand from abroad, which has been tending towards weakness for some time, fell further."

According to the Ifo institute the climate in western Germany deteriorated in December for the seventh straight month, its business barometer falling to 91.4 from 91.7 in November.

Economists said the outlook for the first half of this year was so poor that Germany might have to cut its forecast of 2 per cent annual economic growth for 1999.

ECB sticks to its decision to widen rates band

By George Graham, Banking Editor

The European Central Bank yesterday stuck to its decision to widen the band between its emergency deposit and lending rates, despite pressure for a narrow band to help ease problems with the management of payment flows and with bottlenecks in its Target ECB system.

Commercial banks will now have to pay a penal interest rate of 4.5 per cent if they have to fall back on the ECB's emergency lending facility, and will get only 2 per cent if they have to deposit surplus funds with the ECB.

The ECB's central interest rate is 3.00 per cent, but this is bounded by a deposit rate, at which banks can as a last resort deposit money they have been unable to place in the money market, and an emergency lending window, to allow them to finance any last-minute shortfalls.

Usually, these rates are set some way apart, so as to penalise any banks that have to make use of them. To help smooth the euro's launch, however, the ECB has until now maintained the deposit rate at 2.75 per cent and the lending rate at 3.25 per cent.

In a bulletin published earlier this week, the ECB said it had been surprised by the heavy use banks had made of the two facilities in the first few days of monetary union. Yesterday, however, it said that an extended use of the narrow interest-rate corridor would hamper the development of an efficient euro money market.

Several banks said that continued difficulties with the operation of Target, which links the payment systems run by Europe's national central banks, meant many banks were still finding it hard to manage their treasuries. *As a result*, a move to the narrow band would impose serious penalties on many banks.

"It will hurt to have to refinance at 4.5 per cent," said Helmut Konrad, managing director of international markets at HypoVereinsbank, the German bank. German banks *have been by far* the heaviest users of the two *facilities*, and the Bundesbank is believed to have argued for keeping the narrow band for the time being.

Other national central banks, however, argued that banks would not be driven to improve the management of their payment flows until they faced punitive interest rates on central bank borrowing or deposits.

Because of the many arguments between banks about who was responsible for a payment not coming in on time, the Heathrow Group, which brings together the biggest euro clearing banks, yesterday announced temporary arrangements for calculating compensation for delayed payments.

The proposed 3.2 per cent flat compensation rate is meant to make it easier to clear up disputes and allow the smooth movement of euros around the banking system.

Voices from the margin: EU regions get heard in Brussels

There are now more than 160 regional representative offices in Europe's capital, quietly building up their presence and influence alongside those of the 15 member states, writes **Brian Groom**

The love affair between Europe's regions and Brussels is about to deepen. Elected assemblies being created in the UK in Scotland, Wales and Northern Ireland will soon be opening offices in the European Union's capital.

They join a growing throng. While national states act out their volatile relationship in the Council of Ministers – the EU's main decision-making body consisting of cabinet ministers from each government – the regions have been quietly building up their presence and influence.

In 1985 just six EU regions had offices in Brussels. Now there are more than 160, far exceeding the 15 national representations. Some are almost as big as embassies.

"If you're going to Brussels," people from Inverness to Athens say, "bring back a grant." Regions swear there is more to it than that.

Europe is on a decentralising trend. The postwar creation of the *Länder*, or states, in Germany has been followed by devolution in Spain, France, Italy and Belgium – and now in the United Kingdom. Its impact is clearly felt in Brussels.

"It's only a couple of years ago that Italian regions were able to establish offices here," says Robin Small, Brussels director of the Regional Assembly for Yorkshire & Humberside, representing 22 local authorities from northern England. "French regions are still reined in by central government but I am sure they are trying to break out."

He adds: "*Portugal is* setting up regions. Greek regions are taking on more powers. Spanish regions are increasing their powers. Belgium has become federal: Flanders and Wallonia are vociferous in the European arena. Even the Irish are becoming more regional."

While some, such as Patrick le Gàles and Christian Lequesne, editors of a recent book, *Regions in Europe*, argue that in spite of appearances, regions have "weak autonomy, weak resources, weak political capacity and weak legitimacy", the regions are adamant they are not wasting their time. Many have fought national governments to be represented – the Basques won a case at Spain's constitutional court – and all believe they benefit from being in Brussels.

Aside from regional aid grants, they seek advance intelligence on proposals that will affect them, programmes their businesses and universities can join, and alliances with like-minded regions.

"If you wait for the government to give you information you are much too late," says Veronique Planes, delegate general for France's Rhône-Alpes.

Imma Buldu-Freixa, Catalonia's delegate, says demand from back home is so great that staff have grown from two to 16 since its office opened in 1986.

The British, paradoxically for such a centralised country, have 30 Brussels offices, more than any other member – a measure of fragmented local governance.

Scotland has Scotland Europa, an office representing public and private organisations. The Scottish parliament's representation is likely to move in with it, and will want to join the big league of influential regions, such as Catalonia and Bavaria.

This will take it into the ambitious arena of regions that seek to influence policy. Bavaria, run by the conservative Christian Social Union, opened its Brussels office 10 years ago, attracted by single market reforms and determined to keep big government – from Brussels or Bonn – off its back.

It believes it has had some influence, though it fears its achievements may be reversed by Europe's new centre-left governments. "We have forbidden monopolies, we have deregulated air tariffs, telecommunications and energy. Re-regulating all these by consumer policy – environmental policy, by guidelines for employment – is dangerous," says Reinhold Bocklet, European affairs minister.

Isolating a single region's influence is difficult. Harder still is evaluating Europe's economic benefits to regions. They fight hard for structural funds, which now take one third of the EU budget, but their effectiveness is still in question.

The four poorest nations – Greece, Ireland, Portugal and Spain – rose from 66 per cent of average EU gross domestic product to 74 per cent in the 10 years to 1996. But there was no reduction of the gap whereby GDP per head in the EU's 10 richest regions is 4.5 times that of the 10 poorest.

Monika Wulf-Mathies, regional aid commissioner, defends the funds' record: "Even the most backward regions have gained about 5 percentage points in GDP... This is a long-term programme and not something where you can have immediate success."

The Commission wants to reform the system after 2000, however, concentrating aid on needy areas by reducing the proportion of population covered from 51 per cent to 40 per cent.

The Commission feels it has a common purpose with regional officials – not just to outflank national delegations. They are the hands-on practitioners who implement EU policies.

Scotland, Wales and Northern Ireland, in turn, see opportunities, including the possibility that their ministers could lead the UK delegation in the Council of Ministers on certain matters, as the German states do on *culture*.

But benefits will not flow automatically. There is potential *for conflict* with the UK government, especially if different parties are in power in London and Edinburgh, for instance.

Regions in other countries have learnt that differences must be sorted out at home if they are to wield influence in Brussels.

Commissioner calls for change in censure rules

By Peter Norman in Brussels

Hans van den Broek, a member of the European Commission, yesterday called for legal changes to allow the European Parliament to single out individual commissioners for censure.

Responding to last week's near-crisis in Strasbourg when the entire Commission leadership faced a motion of censure in the European Parliament, Mr van den Broek said the possibility of individual censure would increase the accountability of the non-elected body.

Although expressing a personal view, Mr van den Broek's idea was significant in that a member of the Commission "college" was prepared to contemplate sacking individual colleagues over cases of corruption and mismanagement in the EU executive.

But Mr van den Broek, the commissioner responsible for the EU's relations with eastern and central Europe, made clear in a conversation with the FT that the censure and removal of an individual commissioner should face a substantial hurdle. He suggested that it should require 75 per cent of votes in the parliament and thus be more difficult to achieve than the removal of the entire Commission, which is possible under present rules and requires a two-thirds majority of the votes cast by MEPs.

He admitted that his ideas on the individual accountability of commissioners had changed. Parliament's present "nuclear option" of censuring and sacking the entire 20-strong executive was inappropriate when the Commission was assuming greater responsibilities following the introduction of the euro. Scope for individual censure would reflect the growing importance of parliament and the obvious wish of many MEPs to have such powers.

Reforming the rules of censure would take time and require a change in EU treaties. Since Mr van den Broek is not expected to be appointed to the new Commission that is due to take office at the beginning of next year, it is unclear how much weight his words will carry.

His ideas would have to be considered in the context of a broader reform of the EU institutions that is due to be discussed by EU leaders at their June summit in Cologne. The reforms would then have to be negotiated in an intergovernmental conference of the 15 countries.

Fischer in warning on euro stability

By Michael Smith in Bonn

Joschka Fischer, German foreign minister, warned yesterday that Europe's freshly minted single currency could be destabilised if European Union nations failed to implement financial and institutional reforms.

Europe needed to agree more qualified majority voting and implement changes including the number and selection of European commissioners. "The stability of the euro as an independent international currency will depend on how we tackle these [reform] issues," he said.

He said the euro could also be affected if countries failed to agree soon on a separate "Agenda 2000" deal to reform the EU's budget, Common Agricultural Policy and regional aid.

Germany, which holds the rotating EU presidency, has pencilled in February 26 for a possible informal summit aimed at ensuring a final deal on Agenda 2000 in March. Agriculture ministers have agreed to try to agree on changes to the Common Agricultural Policy before the planned informal summit, although there are doubts about their ability to do so.

Mr Fischer's comments were made as he and fellow ministers briefed journalists on Germany's plans for the presidency, which it holds until July.

Aspirations include pushing for a charter for *basic rights for citizens*, which could include guarantees for individuals to pursue the religions and professions of their choice.

The charter could include a right for citizens to take governments and institutions to the Luxembourg Court of Justice.

Professor Eckart Pick, parliamentary state secretary in the Justice Department, acknowledged the charter would be controversial and could take some years to agree. But he also said it would be a major step forward in guaranteeing legal rights for individuals across the EU.

Germany is also hoping to reach agreement *in June on* a date for an inter-government conference on institutional reform, probably after 2000.

Mr Fischer said changes to qualified voting rules were essential prior to the EU's enlargement to 21 countries.

"This is not the plan of evil German federalists trying to get qualified voting through the back door. It is the view of civil servants and governments throughout Europe."

Testing euro's mettle, Page 23

Striking miners on their way to Bucharest yesterday Reuters

Constantinescu refuses to back down to miners

By Joe Cook in Bucharest

Emile Constantinescu, Romania's president, yesterday said his country's democracy would be compromised if concessions were made to a band of striking miners who broke through a police cordon 3,500 strong to press on towards Bucharest.

Violence erupted yesterday afternoon after the miners' leader, Miron Cozma, rejected government offers to negotiate an end to their advance on the capital, which began on Monday.

Tear gas grenades and baton charges by riot police had no effect on the miners who outmanoeuvred police near the village of Cotesti, 190km north west of Bucharest. In the process they grabbed and beat up a local government official. At least 66 people including 15 policemen were injured.

Gabril Dejeu, interior minister, resigned after it became clear that the miners, aided by residents of Cotesti, had outwitted the riot police. His replacement is Constanin Dudu Ionescu, a former deputy defence minister.

President Constantinescu said the government "must negotiate, but reforms cannot be negotiated. Giving into force and violence would prove Romania does not have a solid democracy."

The miners, from the Jiu Valley coal region, are now in their third week of a strike in support of a 35 per cent wage rise and an end to government plans to close 140 coal and other mines.

Mr Constantinescu said any concessions on market oriented reforms would have "catastrophic consequences for Romania, which this year is in an economic crisis, has no financial resources and must pay its foreign debts".

A World Bank delegation is in Bucharest for negotiations over a possible $500m credit. On Monday a team of International Monetary Fund negotiators arrives in Romania to hold talks about a new standby agreement.

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Speed urged in defence integration

By David White in Madrid

Industry ministers and senior officials from six European countries tried yesterday to speed up progress towards integration of aerospace and defence industries and to jolt the partners of Airbus to move ahead faster with restructuring.

The UK reassured the other participants it still wanted to push ahead with an ambitious cross-border project, after British Aerospace announced plans to purchase GEC's Marconi division, a move that has prompted Germany's Dasa to declare consolidation with BAe impossible.

John Battle, the British minister of state for industry, said the mood of the meeting was very positive.

Although the BAe-Marconi deal is seen as obstructing or delaying wider European merger initiatives, he said it won "pragmatic acceptance" from the French government. Christian Pierret, French industry minister, told the meeting it was now necessary to push forward, and his Italian counterpart, Pier Luigi Bersani, said the BAe deal could even be a starting point for a wider integration process, according to officials.

Tony Blair, British prime minister, had a telephone discussion on the issue with Gerhard Schröder, the German Chancellor, on Wednesday night.

Mr Blair's spokesman said: "It was clear from the conversation with Mr Schröder that they do believe that this can be the beginning of the restructuring but not the end."

The ministers called on the companies involved in the four-nation Airbus group to complete their plans for making the venture into a "single corporate entity" as soon as possible, saying the scheme was of "central importance" to broader integration.

They agreed to bring the main aerospace and defence groups together in another meeting in Rome by the summer. Mr Battle was optimistic that by then "things could look very different".

The meeting was one of a series begun last year between ministers from the UK, France, Germany, Italy, Spain and Sweden.

Josep Piqué, Spanish industry minister, said the participants were "clearly convinced that if we cannot build a European-scale industry we will not be able to compete".

New Swiss president brings a more international tone

William Hall, Frances Williams and William Dawkins meet Ruth Dreifuss, the country's first female and Jewish leader

Switzerland is less the odd man out of Europe than it used to be.

That, at least, is the conviction of Ruth Dreifuss, president of the staunchly non-aligned country, as it digests the arrival of the euro, perhaps the strongest European challenge to Swiss sovereignty in decades.

"We feel a real dependence on the EU. For us, the answer is to strengthen Europe and be part of Europe and support the idea of a Europe that can develop a common economic policy," says Ms Dreifuss, who took office on January 1. This is a more international stance than most of her predecessors.

She is an example of a more open habit of mind among Swiss decision-makers. Not that Swiss presidents make many decisions. They hold the job for just a year and have little power over the country's 26 fiercely independent cantons, which decide many of the things elsewhere left to national governments. But Ms Dreifuss, a rosy-cheeked former trade union official, is Switzerland's first woman and first Jewish president, as well as one of a new breed of more international politicians. She appears a breath of fresh air.

But in what way is Switzerland becoming more European? First, argues Ms Dreifuss, it is being pushed by the growing power of the European Union and the globalisation of the markets served by Switzerland's powerful multinationals. "Switzerland is influenced by decisions in so many international bodies that we should be where the decisions are taken," she says.

It will inevitably join the EU, she says. Increasingly it looks as though Switzerland could join within the next decade. Ms Dreifuss, 58, is confident it will be in her lifetime. "I don't want to die very soon," she laughs. "I am sure Switzerland is a natural member of the EU."

Switzerland can fit into the federalists' vision of a Europe in which sovereignty is shared by regional governments and European bodies while national governments play a diminishing role. That is already the dynamic in the division of power between cantons and central government.

Last month's bilateral accord with the EU, which gave it some of the advantages of EU membership, is not the final step, says Ms Dreifuss. She says she is sad that Switzerland is not associated with the current internal discussions in the EU. "It may not be modest to say so, but we have some experience and skills of federalism in Switzerland."

Of course not everyone in Switzerland is as pro-European as Ms Dreifuss, who belongs to the French-speaking minority. Christoph Blocher, a successful businessman and leading member of the Swiss People's party, is the closest thing that Switzerland has to an official opposition. He is adamantly opposed to closer ties with the EU and his populist rhetoric strikes a chord with a growing slice of the electorate.

Ruth Dreifuss: 'We feel a real dependence on the EU'

Switzerland's foreign minister and justice minister, both members of the pro-European Christian Democrats, announced last week they planned to step down in April to rejuvenate their party, which has been losing support to Mr Blocher.

The multitude of business regulations still set by cantons means that Switzerland, in any case, has a long way to go to achieve the open internal market that the EU demands. But the pro-European mood of the business and political elite is starting to trickle down.

Ms Dreifuss recognises the unresolved tensions. "There are two Switzerlands: an open and competitive Switzerland of international companies and an old Switzerland of cartels and local power. The old Switzerland is in turmoil, shaken by change from the outside world."

French spending declines

By Robert Graham in Paris

French household consumption fell in the final quarter of 1998, underlining the economic slowdown.

Consumption declined 0.4 per cent against a 2.5 per cent increase in the previous three months, according to figures released yesterday by Insee, the official statistics agency. Insee said the main reason for the sharp difference between the two final quarters of 1998 was a drop in car purchases. These fell by 6.5 per cent compared with a 20 per cent jump in the third quarter.

December figures showed a month-on-month fall of 0.4 per cent. With car sales stripped out, the decline was 0.1 per cent against November. Insee also said the November household consumption data have been revised downwards to minus 0.5 per cent. However on a year-on-year basis, consumption was still up 4.2 per cent on December 1997.

The tapering off of household spending is likely to lead economists to revise further downward estimates for 1999 growth, bringing them well below 2.5 per cent.

NEWS DIGEST

FRESH PLAN FAILS TO SILENCE DEBATE

Bonn unveils Holocaust memorial design changes

Germany took the wraps off a compromise US design for a Holocaust memorial in Berlin yesterday, hoping to end a bitter argument over how to remember the Nazi slaughter of Jews.

But the twice-altered plan by New York architect Peter Eisenman did little to silence the 10-year-long debate between supporters of a sombre monument and advocates of a Holocaust museum similar to those in Washington and Jerusalem. Mr Eisenman's is the leading contender of four designs.

The final word does not lie with Chancellor Gerhard Schröder but with members of parliament, who will have a free vote. But opposition to the plan could delay a decision until the end of the year.

After the poll defeat in September of Chancellor Helmut Kohl, who backed the original plan, the Schröder administration asked Mr Eisenman to include a Holocaust archive and other educational features into a new design. But Lea Rosh, head of a lobby group that backed the first Eisenman design, rejected the compromise, saying Berlin did not need another documentation centre. **Reuters, Bonn**

GERMAN LABOUR

Talks enter crucial phase

German labour talks will enter a crucial phase today when metal industry employers submit their counter-proposal for wage increases for 1999.

Expected to be somewhere around 2 per cent, the employers' proposal would fall well below the 6.5 per cent rise demanded by the metalworkers union, IG Metall. The metal employers, or Gesamtmetall, also want more flexibility. Employers will insist on one-time payments to supplement any proportional wage rises. Because one-time payments need the approval of each company's workers and employers' representatives, they would be implemented only in companies that can afford them.

Flexibility is a thorn in the side of IG Metall, which has traditionally favoured wage agreements that apply to the entire industry regardless of the profitability and size of individual companies. Any settlement in the western German chemical industry would be seen as a role model. In May, chemical workers and employers settled on a 2.4 per cent wage increase plus a one-time payment of 1.1 per cent of the annual income. **Uta Harnischfeger, Frankfurt**

ITALIAN COALITION

D'Alema gains support

Massimo D'Alema, Italy's prime minister, appeared yesterday to have averted a threat to his coalition government when he won an affirmation of support from the tiny UDR party.

The UDR, which was meeting last night, was expected to affirm its support for Mr D'Alema. The mini-crisis caused by the UDR has, however, left the coalition looking shaky.

After a late-night meeting with three ministers from Francesco Cossiga's UDR on Wednesday, Mr D'Alema yesterday said the meeting had shown there was agreement on the government's programme. At the heart of the row is a struggle for Italy's political centre. Mr Cossiga's actions followed a meeting on Tuesday of the Olive Tree coalition, which he views as a threat to the centrist power base he is striving to build. **David Lane, Rome**

SETBACK FOR KIEV

Ukraine output falls

Ukraine's gross domestic product fell 1.7 per cent last year, continuing the country's trend of economic decline since 1989, the State Statistics Committee said yesterday.

The former Soviet republic had posted slow economic growth for the first eight months of 1998, and the government had hoped to finish 1998 with a 0.5 per cent increase in GDP.

But the plan had to be revised because of the economic crisis that hit neighbouring Russia in August, which also spread to Ukraine and made the government's failure to implement market reforms since the 1991 Soviet break-up even more pronounced.

The government recently acknowledged that the decline was likely to continue this year, with the economy expected to shrink by 1 per cent. **AP, Kiev**

PROJECT EVALUATION LONG-TERM EFFECTIVENESS IN EAST ASIA AND PACIFIC DROPS SHARPLY

World Bank's success rate hit by Asian crisis

By Stephen Fidler in Washington

The long-term effectiveness of World Bank projects in east Asia and the Pacific has dropped sharply following the Asian financial crisis, according to an evaluation by the Bank published yesterday.

The report also concluded that the Bank had generally reduced its project failure rate over the last two years but too many projects still neglected to address the development of institutions within borrowing countries, the Bank said.

Strong institutions – including legal systems, government bureaucracies and arrangements to supervise banks and protect property rights – have come to be seen as essential for economic development and social stability. Yet only 40 per cent of bank projects have a substantial impact on the development of institutions, the report concluded.

The average of Bank projects with a satisfactory outcome increased from an average of 65-70 per cent in 1990-96 to 75 per cent or higher in 1997 and 1998, the study said. This resulted in part from significant quality improvements in two poorly performing sectors – finance and public sector management – and in Africa.

Projects with long-lasting or sustainable outcomes rose from 46 per cent in 1990-1996 to 54 per cent in 1997. (The Bank's fiscal year closes at the end of June.) But this percentage dropped to 50 per cent in 1998 – largely because of a sharp drop in the long-term sustainability of projects in east Asia and the Pacific. This fell from 66 per cent in 1997 to 43 per cent in 1998. There was at the same time a doubling of the projects in that region at risk of not achieving their objectives.

The report pointed out that improved project performance alone was not a sufficient objective – because the international environment had become much more hostile as financial crises have hit more and more borrowing countries.

These large risks in the international economy meant the long-term effects to be generated by completed projects was likely to be smaller.

Africa enjoyed a significant improvement in policy performance – particularly in agriculture – but it remained the region with the highest chance of project failure.

Also the report noted that part of the higher success rate occurred simply because project objectives had been outlined more modestly since 1996.

Thus the improved project outcomes were not matched either by gains in project sustainability or by development of institutions.

Institutional development has been emphasised by James Wolfensohn, World Bank president, as an important World Bank goal. But though bank projects are performing better than they did with respect to improving institutional development, there remained scope for much further improvement and the issue needed greater emphasis, the report said.

1998 Annual Review of Development Effectiveness. World Bank 1818 H Street NW, Washington DC 20433. USA

Prospect of federal reform raised in Nigeria

By Michael Holman and William Wallis in Lagos

The prospect of radical changes to Nigeria's federal structure came a step closer yesterday when Olusegun Obasanjo, the country's former military ruler, said he was prepared to respond to calls for greater regional autonomy by presiding over a process of constitutional reform should he win next month's presidential election.

If conceded, such a move could prove a landmark in Nigeria's post-independence history and help to defuse tensions between the traditionally dominant north of the country and other regions over the allocation of federal funds and mismanagement of the economy.

But it also raises the likelihood that a new civilian government, due to take over in May, would be preoccupied by complex constitutional issues at a time when the country is gripped by its most serious economic crisis since independence in 1960.

Asked in an interview with the Financial Times how he would respond to demands for greater autonomy for Nigeria's south-west region, stronghold of the Yoruba dominated Alliance for Democracy, Gen Obasanjo replied: "If the majority of Nigerians, through their accredited representatives, feel that something should go into our constitution, so be it. It does not bother me and there are two ways you can pursue that – either through amending the constitution or setting up a constituent assembly." Gen Obasanjo, although a Yoruba, is a front runner for the presidential nomination of the People's Democratic party (PDP), one of three parties contesting civilian rule elections.

Until now, the PDP, with strong links with the impoverished north, has ducked calls for such a conference, fearing that greater autonomy for other regions – including the oil-producing Delta states – could lose it the economic patronage it has enjoyed and lead to its own marginalisation.

At the heart of the issue is competition over the federal government's allocation of oil export earnings. It comes at a time when protesters in the Delta region are demanding a greater share of the oil revenue.

They have already reduced production of Nigeria's 2m b/d by 200,000 and have threatened further action. Gen Obasanjo's endorsement of a constitutional review may also be intended to boost his chances of winning nomination as the PDP's presidential candidate for it should allay some of the bitter opposition to his presidency in his home area in the south-west.

He is considered by many Yorubas to be little more than the front man for a party allegedly controlled and financed by retired generals. The dismal showing of the PDP in the south-west in state government elections this month has leant weight to rival presidential aspirants such as former vice president Alex Ekwueme who helped the party sweep his south-eastern region.

They argue that if Gen Obasanjo is unable to win his own home ward he may prove a liability at the presidential election for a party that has otherwise dominated elections so far.

The next round of voting in Nigeria's phased transition takes place on February 20 with elections for the national assembly, followed by the presidential election a week later. The selection of presidential candidates is due by February 12.

A Lagos taxi driver sleeps on his car after waiting 48 hours in a petrol station queue. Fuel shortages are common in Nigeria, the world's sixth largest oil producer. Regional tensions over allocation of oil revenues might be eased by constitutional reform AP

Olympic leaders knew of bribes claims 'for years'

By William Lewis in New York and Patrick Harverson in London

Richard Pound, the International Olympic Committee official leading the investigation into the corruption scandal engulfing the Olympic movement, said yesterday the IOC had been trying "for years" to find proof that its members took bribes from bidding cities.

"We have found evidence of very disappointing conduct by a number of IOC members" involved in choosing the host city for the 2002 Winter Olympics, he told an international sports conference in New York.

Reports have indicated that Mr Pound's inquiry discovered that at least a dozen IOC members or their relatives received cash, gifts or donations from officials representing Salt Lake City, which two years ago successfully bid to host the 2002 Winter games.

His report goes to the IOC in Switzerland this weekend, and many, if not all, of the IOC officials named as recipients of gifts and favours from Salt Lake City are expected to resign or be forced out as a result of the findings. One IOC member, Pirjo Haggman of Finland, has already resigned her seat on the IOC.

The allegations of bribery and corruption in the bidding process which have rocked the IOC emerged last month when one of its most senior officials, Marc Hodler of Switzerland, said he knew of several IOC members who were bribed to support the Salt Lake City bid.

Since then, Mr Pound said, "the investigation has been unflinching in pursuit of the truth. We have tried for years to get something hard so we can act on all the rumours. We have never been able to do so."

In a rare display of contrition from a top Olympic official, the Canadian lawyer said the IOC "would like to express our sincere apologies for the actions of certain IOC members... To some degree, we brought this on ourselves." Since the scandal broke, the IOC has come under intense pressure from Olympic sponsors to take swift and dramatic action.

However, Mr Pound did not back calls for the US city to forfeit its right to host the Olympics. "Salt Lake City was the best candidate in the race for the 2002 Winter Games. Salt Lake City deserves to host the 2002 Winter Olympic Games."

Azeri oil grouping decides to close

By Carlotta Gall in Baku, Azerbaijan

Azerbaijan's second international oil consortium announced yesterday it was closing down after failing to find commercial levels of oil in its offshore exploration block in the Caspian Sea.

Representatives of the Caspian International Petroleum Company (Cipco), led by Pennzoil of the US, with Agip of Italy and Lukoil of Russia, said they were abandoning the $1.7bn Karabakh field, after a day-long meeting in Azerbaijan's capital, Baku.

"We found gas, we found oil and we found gas condensate, but we did not find enough of it," said James Tilley, president of Cipco. "A lot depends on the price of oil and there is quite a gap between what we found and what would be commercial in today's market. We needed to find roughly twice as much," he said.

The Azerbaijan State Oil Company, Socar, which has a 7.5 per cent share in the consortium, said it still considered the field viable. Vitaly Beglyarbekov, the deputy chief of the foreign investment division, said development would depend on the price of oil.

"We think there are prospects at that structure," he said. "But a lot depends on the market price, technology and the desire of foreign companies on the project." A Cipco source however said that even with a buoyant oil price, "there were simply not enough reserves to justify it".

Over the three years of its contract Cipco drilled three wells at a cost of $180m. It discovered only gas in the first two wells. After much wrangling with Socar over whether to continue exploration, Cipco drilled a third and final well last autumn, but only found small quantities of oil and condensate.

Gazprom, Page 25

LEGAL NOTICES

No 00105 of 1999
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
HW GROUP PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 8th January 1999 presented in Her Majesty's High Court of Justice for confirmation of the reduction of the amount standing to the credit of the above-named Company's share premium account by £6,796,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on 3rd February 1999.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the amount standing to the credit of the Company's share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated the 21st day of January 1999

Lawrence Graham
190 Strand
London WC2R 1JN

Ref. JGE/H2?1-4/16
Solicitors for the above-named Company

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TRADE PACT CURB SOUGHT ON ABILITY OF COMPANIES TO SUE GOVERNMENTS

Canada seeks tighter Nafta rules to limit compensation

By Edward Alden in Toronto

Canada is pressing for interpretative changes to the North American Free Trade Agreement that would restrict the ability of private companies to seek compensation for government regulations that damage their business.

The Nafta's investor-state arbitration provision allows a company to file suit against the Canadian, Mexican or US governments if its assets are expropriated or a government takes measures that are "tantamount to expropriation."

But Canada fears the provision is being extended to prevent governments from enacting legitimate regulations, and has asked the US and Mexico to clarify the treaty's intent.

The Canadian government agreed to pay US$13m last year to Ethyl Corporation of the US after Ethyl sued over Canada's ban on the use of MMT, a petrol additive. Canada also agreed to lift the ban despite objections from environmental groups and from the motor vehicle industry, which says MMT interferes with emission control systems.

Canada also faces a second lawsuit from SD Myers, a US company that handles the clean-up of polychlorinated biphenyls (PCB) waste. SD Myers is seeking damages over Canada's 1995 ban on the export of PCB waste from Canada to the US, which the company says cost it millions of dollars in lost business.

Sergio Marchi, Canada's trade minister, said that Canada wants the grounds for expropriation to be "narrowly defined" to ensure the ability of governments to regulate is not undermined. He said that some of the challenges brought under the Nafta provision "stretch the imagination."

Investor-state arbitration provisions, which are written into thousands of bilateral investment agreements, were initially developed under international law as a way to safeguard multinational corporations from nationalisation or other government seizures of their assets.

But the issue became controversial in the failed negotiations on the Multilateral Agreement on Investment. Environmental groups charged that the provision threatened to undermine the ability of governments to regulate by allowing private companies to sue for damages whenever a government measure damaged their business activities.

Canadian officials said there was support in both the US and Mexican governments for clarifying the provision and hopes to reach an agreement by April when the Nafta ministers meet in Canada. Nafta allows the three governments to issue an interpretation clarifying what was meant by the original agreement, and that interpretation would be given great weight by future Nafta tribunals ruling on the cases.

A State Department official said there was broad support in the US government for ensuring the Nafta investor-state arbitration clause was not used to attack government regulations, but said it was difficult to determine exactly where to draw the line.

The initiative may draw opposition from US multinationals. Stephen Canner of the US Council for International Business, said: "The question is, what's really broken that has to be fixed?" In the Ethyl case, he says, the Canadian government imposed a ban on MMT that clearly wasn't backed by sound science, which is exactly the sort of trade barrier Nafta is meant to prevent.

Barry Appleton, a Canadian trade lawyer who is acting for SD Myers, says Canada is proposing a major change to the treaty that should require a formal amendment.

"The government of Canada is asking for permission to take away the property of foreigners and not pay them for it," he charged. "This is a substantive change to substantive rights."

World retail pharmacy purchases ($m)
12 months to November 1998

	US	Japan	Germany	France	Italy	UK	Brazil	Spain	Canada	Argentina	Mexico	Aust/NZ
Cardiovascular	13,678	7,048	3,728	3,702	2,066	1,708	981	1,186	1,042	531	258	585
Alimentary/metabolism	11,258	8,252	2,484	2,129	1,339	1,499	1,072	616	642	643	610	442
Central nervous system	15,154	2,205	1,872	1,975	1,017	1,442	933	926	777	507	383	372
Anti-infectives	7,364	4,498	1,339	1,606	1,181	460	737	524	291	408	645	178
Respiratory	7,332	2,442	1,420	1,314	736	1,215	886	547	382	304	358	315
Genito-urinary	4,966	800	927	838	476	489	607	213	224	239	212	113
Musculo-skeletal	2,780	2,584	684	898	498	449	542	247	184	254	215	76
Others	10,626	12,278	2,820	1,862	1,680	1,099	1,101	839	702	851	585	137
Total	73,158	38,147	15,274	14,116	8,992	8,336	6,559	5,200	4,244	3,537	3,266	2,458
% Change*	11	-1	6	5	8	8	-4	11	11	6	14	8

Source: IMS Health

* Changes exclude currency movements

Strong US sales of anti-depressants stimulate the global drugs market

By David Pilling, Pharmaceuticals Correspondent

Sales of prescription drugs powered ahead in North America, rising 11 per cent to $77.4bn in the year to November 1998, according to the latest figures from IMS Health, the healthcare information company. Sales in 12 of the world's leading pharmaceuticals markets grew 6 per cent to $185bn.

North America accounts for about 40 per cent of global drug sales. Part of the impetus for the recent spate of European drugs mergers is the need to gain market share in the world's most lucrative market.

US sales, which have been growing at or near double digits for most of the decade, were spurred by strong sales of anti-depressants such as Lilly's Prozac, Pfizer's Zoloft and SmithKline Beecham's Seroxat/Paxil.

Drug companies have been active in extending the prescribed uses of these compounds to cover illnesses such as social anxiety. US sales of anti-depressants grew 22 per cent to $6bn in the year to November. The figures are for retail sales only.

The spectacular launch of Viagra, Pfizer's anti-impotence pill, which is likely to rake in $700m in its first year, pushed US sales of urologicals up 117 per cent. Cardiovascular drugs, particularly the cholesterol-lowering agents known as statins, also continued to grow strongly.

Sales in the five biggest European markets, where governments are trying to curb budgets, grew 7 per cent to $52bn. Spain grew 11 per cent, while France and Germany rose 5 and 6 per cent respectively.

In the UK, where drugs sales rose 8 per cent to $8.34bn, cardiovascular drugs were up 15 per cent as doctors began to adopt the newer drugs. Blood agents rose by nearly 50 per cent, largely due to the July introduction of Sanofi's Plavix, an anti-platelet agent that may be slightly more effective (though much more expensive) than aspirin in treating and preventing heart attacks and strokes.

Japan, the world's second biggest drugs market, dragged down the world average, falling 1 per cent to $38bn – although the rate of decline appears to be slowing. Economic stagnation and an ageing population have led the government to crack down on drug prices.

Common ground elusive as Clinton seeks trade unity

US players will need to come to their own bargaining table before they can talk to rest of the world, writes **Nancy Dunne**

In his plea for "a new consensus on trade" in his State of the Union address, President Bill Clinton sought to renew his campaign for "fast-track" authority to negotiate new trade pacts.

Acknowledging that "trade has divided us for too long", the president launched a vigorous effort to end the long impasse over the inclusion of labour and environmental issues in new trade pacts. For the past few years, Republicans and business lobbyists have opposed such provisions and Democrats have refused to give Mr Clinton new negotiating authority without them.

Last year a Republican-led attempt to pass fast-track without strong labour and environmental provisions suffered a crushing 243-180 defeat in the House of Representatives with most Democrats and a third of Republicans voting it down.

In an attempt to bridge the gap, Mr Clinton is offering goodies all round. If agreement can be reached, business and free market Republicans would get an ambitious new round of multilateral trade talks, lower tariffs for Caribbean and African imports, and a 10 per cent increase in funding for the US Export-Import Bank to boost exports.

The Democrats would get new initiatives to strengthen the International Labour Organisation, more transparency for the World Trade Organisation, and a new international treaty to outlaw abusive child labour.

However, the president's initiative must still overcome grassroots disenchantment with trade pacts. This has been made worse by the fact that the old free trade coalition in Congress has eroded as every election since the end of the Cold War has seen the departure of older free traders and the election of trade sceptics.

An NBC News/Wall Street Journal poll, conducted last month, found 58 per cent of Americans believe trade has been bad for the US economy, compared with 32 per cent who said it had resulted in economic growth.

In a CNN/Gallup poll in October, 47 per cent said the North American Free Trade Agreement had been "bad" for the country and 52 per cent opposed negotiating similar pacts elsewhere.

Democrats have been preparing for the president's latest bid for fast-track renewal. They have been studying a proposal to give him a negotiating mandate, but one which would sharply constrain his flexibility and enhance Congress's role in new trade talks.

Congress has constitutional jurisdiction over trade, but over the years, as trade deals have grown more complicated, so-called fast-track negotiating authority has been given to the executive branch. Under fast-track, Congress promises not to amend a trade pact but simply to pass or reject it as it stands.

The Democratic proposal, called informally "a fast track with speed bumps" envisages a congressional vote before the administration signs a deal and congressional "check-in" rights over continuing negotiations.

Although Republicans may support an expansion of Congress's authority, the proposal would not be popular with US trading partners, who regard fast-track as protection against congressional meddling in completed negotiations.

Business organisations, well aware of their fading influence on trade since the fast-track vote last year, have made their own overtures to environmental and labour groups.

"The business guys just cannot get in through their heads that fast-track, as they know it, is dead," said Lori Wallach, who has advised Democrats opposed to Nafta and the World Trade Organisation. "Fast-track is an outdated system.... The secretive closed-door way of doing trade negotiations is history."

'This secretive closed-door way of doing trade negotiations is now history'

Meanwhile, business lobbyists have begun to shift their focus to plans for the WTO ministerial meeting to be hosted by the US at the end of the year.

Charlene Barshefsky, US trade representative, has already begun to consult US trading partners about "an expansive, forward-leaning fast-moving agenda that moves trade liberalisation", her spokesman said. However, the same issues that have deadlocked the fast-track debate, may handicap the ministerial meeting. Democratic House leaders have made clear that they regard Ms Barshefsky's handling of the ministerial as "a confidence-building exercise" to demonstrate the administration's willingness "to work with Democrats". Thus far, the trade representative's efforts to get her party's social objectives accepted by US trading partners have produced more anger than allies.

In his address, Mr Clinton called for "a common ground on which business and workers and environmentalists and farmers and government can stand together". Whether this can occur depends on the willingness of all the American players to come to the bargaining table and on how much they think they can get out of it.

GLOBAL DOWNTURN VEHICLES, FURNITURE AND TELECOMS EQUIPMENT LEAD IMPORTS SURGE

US trade deficit at record high

By Deborah McGregor in Washington

The US trade deficit in goods and services soared to $15.5bn in November, as the global economic downturn continued to take its toll on the otherwise strong American economy.

Even with one month still to be counted for 1998, the deficit has already hit a record high of $153.9bn, edging out the old record of $153.4bn set in 1987.

The November deficit was up 14 per cent from the revised October figure of $13.6bn, the Commerce Department reported yesterday.

The report confirmed the decline in US exports and the accompanying increase in imports that have been stoking up the trade imbalance for several months.

US exports fell by 1.9 per cent in November, to $78.7bn, with sales of aircraft, computer equipment and farm products declining sharply. Imports rose 0.4 per cent to an all-time high of $94.1bn, with the biggest increases seen in imports of vehicles, furniture and telecommunications equipment.

> 'The dynamic is the strength of our economy and the weakness of others'

Economists predicted that the growing trade deficit would eat into overall growth in the economy, shaving as much as 1.5 percentage points from gross domestic product growth in the fourth quarter of 1998.

The US is facing record trade deficits for 1998 and 1999 because of the sharp fall in demand in Asia. "The basic dynamic behind this data remains the strength of our economy and the weakness of many of our trading partners," said a senior administration official.

While trade deficits with Japan and China actually improved slightly in November, the trend for the first 11 months of 1998 showed those deficits running well ahead of the previous year's pace. For China, the deficit totalled $52.9bn for the year up to and including November, up 15.5 per cent from a year earlier.

For Japan, the trade deficit hit $58.2bn for the same year, an increase of 14 per cent.

The one bright spot in the region was South Korea, where a fledgling economic recovery helped spur demand.

US exports to South Korea in November were at their highest level in a year.

The trade report also showed that a surge in steel imports began to abate in November. US steel companies blame imports for widespread redundancies and losses in the industry. The import surge has also fanned protectionist fires in Congress.

Steel imports from Japan fell by $47.3m to $306m in November. However, for the first 11 months of 1998, Japanese steel imports more than doubled, totalling $2.6bn.

The Clinton administration has threatened that if December trade figures do not show a substantial decline in Japanese steel imports, it will take action against Tokyo, possibly in the form of stiff duties on Japanese steel under the anti-dumping laws.

Brazilian currency falls sharply again

By Geoff Dyer in São Paulo

The Brazilian Real fell sharply again yesterday, rekindling fears that last week's decision to let the currency float will revive inflation in Latin America's largest economy.

By mid-afternoon, the Real had weakened 8 per cent to R$1.72 to the dollar, against Wednesday night's close of R$1.58, amid continued instability in the currency market. It is now 30 per cent down since the start of the year.

Shares on the São Paulo stock exchange had dropped 3.65 per cent, while the price of the C-Bond, the most liquid Brazilian Brady bond, was 6.8 per cent lower.

The currency came under pressure despite the government's convincing victory in Wednesday's vote in the lower house of Congress over a controversial pension reform, a central part of the government's emergency budget cuts.

Brazil was forced last Friday to abandon its exchange rate peg to the dollar, which had been the anchor of the government's anti-inflation strategy, after it suffered more than $4bn in capital flight in the space of a week.

The central bank raised interest rates on Monday to try to stabilise the currency but capital outflows of around $300m a day have continued this week. Traders said the banks had enough dollars earlier in the week to meet demand but liquidity had dried up yesterday, prompting the sharp weakening in the currency.

Although the central bank was under rising pressure to provide liquidity by selling dollars, Altamir Lopes, its chief economist, said yesterday it would stay out of the market.

Economists said the central bank would be reluctant to intervene because this would establish a new benchmark in the market which it would then be obliged to defend. Intervention would also further deplete reserves, which have already fallen to $31bn-$32bn, they said.

"The tendency towards an overshooting is increasing," said Odair Abate, chief economist at Lloyds Bank in São Paulo.

The market was also affected by the growing pessimism about economic prospects for this year as a result of the devaluation, with a number of economists now predicting a harsh recession.

Deutsche Bank has lowered its forecast for the year from a 2.5 per cent fall in GDP to 4.5 per cent. Merrill Lynch is also forecasting a 4.3 per cent drop. Many economists think interest rates will have to stay higher to stabilise the Real and cut inflationary pressures from the devaluation.

The lower house voted by 335 to 147 in favour of a bill which raises pension contributions from civil servants, taxes retired public sector workers and will save the government an annual R$3bn. Deputies had rejected similar proposals four times in the last three years.

The government had been hoping the victory would give a strong signal to investors that the budget deficit of 8 per cent of GDP could be reined in. "The vote will contribute decisively to reducing interest rates in the future," said Pimenta da Veiga, the communications minister. The Senate is expected to vote on the pensions bill next week.

Meanwhile whips are trying to speed procedures for the lower house to vote on a rise in the financial transaction tax, another important part of the fiscal package.

'They record operating system sales by hand on sheets of paper'

Trial testimony shows Microsoft finances do not make use of sophisticated technology

By Richard Wolffe in Washington

Microsoft trial

You might expect the world's biggest software company to manage its finances with sophisticated technology.

But one of the more astonishing insights of the US government's three-month-old antitrust trial of Microsoft came from the company's first defence witness this week, who revealed the true state of affairs at the software giant's headquarters.

Richard Schmalensee, dean of the Sloan school of management at Massachusetts Institute of Technology, told the court how he had tried to see Microsoft's profits data on its best-selling products.

"I did ask Microsoft the extent to which the business could be broken down between operating systems and applications but I was told the data that is separated in that fashion simply did not exist," he said.

"I was surprised, but I will be honest with you. The state of Microsoft's internal accounting systems does not always rise to the level of sophistication one might expect from a firm as successful as it is."

He added: "They record operating system sales by hand on sheets of paper. Under those circumstances, I accepted the absence of a detailed cost allocation system absolutely."

In the same week as Microsoft posted record quarterly profits of $1.98bn, the revelation was so remarkable it led to a Perry Mason moment. David Boies, the government's leading lawyer, simply said: "Your honour, I have no more questions."

It was not the only part of Mr Schmalensee's evidence which appeared to strain under cross-examination.

Mr Schmalensee's central analysis is that in spite of Microsoft's enormous profitability and market share – Windows operating software drives more than 90 per cent of the world's personal computers – the company is not a monopoly.

"Microsoft charges far less than the textbook monopoly price for Windows and it is constantly engaged in innovation to stay ahead of the competition." Mr Schmalensee says in his written testimony. "Its behaviour is far more consistent with that of a firm engaged in intense dynamic competition than a firm sitting on a secure monopoly."

The debate over whether Microsoft can be called a monopoly is crucial to the case. If the court agrees with the software giant that it is not a monopoly, then the government's allegations of antitrust abuses are irrelevant. Microsoft's alleged acts of predatory conduct become nothing more than a sign of vigorous competition.

In court, Mr Schmalensee said that if Microsoft was indeed a monopoly then it would charge up to 40 times the current price of Windows – at around $2,000 – which would be more than the average cost of a personal computer.

Mr Boies used his favourite line of attack to undermine the economist's opinions: incredulity. "Do you really think that, looking at it from a sensible standpoint, there is any chance that is the real profit-maximising price for Windows, knowing everything that you know?" he said.

Mr Schmalensee replied: "Of course not, Mr Boies, because Microsoft faces significant long-run competition. That is precisely the point."

He added: "The allegation here that Microsoft in effect owns the... personal computer market is an allegation of enormous power – enormous power would translate into a very high profit-maximising price. So qualitatively, I think that is exactly in line with what is being alleged here."

The economist's evidence, which has lasted for more than a week, represents an overview of the defence case which 10 Microsoft executives will flesh out over the coming weeks. Microsoft's defence continues next week with evidence from Paul Maritz, the company's senior strategist.

Microsoft admits it is an aggressive company, but argues that is justified because its market power is constantly threatened by new technologies. Chief among these threats was the creation of internet browsing software by Netscape Communications, its alleged victim.

Mr Schmalensee concedes that a software leader can quickly become entrenched because of the widespread use, or "network effects", of its technology. "It is not winner-take-all competition, but it is winner-take-most competition," he said.

But he also said its current success did not guarantee future gains. "The important competition in this industry, given the rapid pace of innovation and product development, is dynamic competition, competition for the market. [Market] share positions tend to be transitory and leaders certainly are displaced."

For Microsoft, that makes it no different to other creative industries. "An industry that comes to mind, for instance... is the movies," said Mr Schmalensee. "Lots of people try to make movies, and the most profitable moves are hugely profitable. "Titanic made enormous amounts of money. It may even have had a high share of some market some place. But it is not a monopoly because next year, whoever made Titanic has to come up with another product."

New moves to curtail Clinton impeachment

By Mark Suzman in Washington

Buoyed by a powerful presentation by White House lawyers in President Bill Clinton's impeachment trial, Democrats yesterday renewed efforts to bring proceedings to an early conclusion without witnesses.

David Kendall, Mr Clinton's personal lawyer, and Dale Bumpers, a former Arkansas senator, opened the last of three days of Mr Clinton's defence with an aggressive attack on charges that the president had committed perjury and obstructed justice in the Monica Lewinsky scandal.

Focusing on the second charge, Mr Kendall hit out at "concerted partisan distortion" of the record and insisted the prosecution could not mount a convincing case for the president's conviction.

But with the first part of the trial nearing completion, both sides were already manoeuvring for advantage during the next phase.

John Kerry, a Democratic senator from Massachusetts, said he felt the White House presentation had been so strong that the Senate should move to an immediate vote on whether to acquit the president as soon as it completed the 16 hours of scheduled questions to both sides.

"I think many senators at that point in time will have serious reservations about whether additional witnesses or any witnesses are needed," he said.

Because such a motion requires unanimous consent from all 100 senators, it would almost certainly fail. However, it would serve as an early show of strength for Democrats and could help persuade some wavering moderate Republicans to agree to cut short proceedings without having witnesses.

On the current plan, senators are next week due to debate a motion to dismiss the trial – which requires a simple majority to pass – and then hear arguments from both sides over whether to call witnesses. The Republican majority is still expected to reject a quick dismissal and approve at least a few witnesses.

But in a sign that they are reluctant to prolong the trial indefinitely, it appears likely that the number of potential witnesses will be sharply scaled back from the 10-15 originally proposed by the "managers" from the House of Representatives who serve as Mr Clinton's prosecutors.

Republican senators indicated the final number could now be as few as two or three – most probably Betty Currie, the president's secretary, Vernon Jordan, a friend of Mr Clinton, and Ms Lewinsky – with questions restricted to narrow disputes of fact that have arisen during opening arguments.

Only after both sides have taken depositions from any witnesses would senators hold separate votes on whether to hear from them in public.

Canada may cut film tax breaks for foreign groups

By Edward Alden in Toronto

Canada should restrict its tax credits for feature film production to Canadian film companies, a move that would put an additional C$55m (US$36m) in the hands of Canadian producers, a committee established by Sheila Copps, Canadian heritage minister, said yesterday.

The government should also strengthen domestic film distribution by restricting the ability of US film distributors to acquire automatically the Canadian distribution rights for independent productions.

The recommendations, if adopted by the government, would be likely to worsen an already strained trade relationship between Canada and the US over Ottawa's efforts to curb the spread of US films, television programmes and magazines in the Canadian market.

While Canadians have recently produced some commercially successful and acclaimed feature films such as *The Sweet Hereafter* and *The Red Violin*, Canadian films capture just 2-3 per cent of domestic box office receipts. The average budget of a Canadian feature film is C$1.5m, compared with more than C$75m for films made in the US.

The committee said Canada should set a goal of increasing screen time for Canadian films from 2 per cent to 10 per cent by 2004.

The tax recommendation is likely to anger not only US producers, who are shooting a growing number of Hollywood films in Canada, but Canadian provincial governments such as Ontario and British Columbia that have eagerly courted foreign productions.

The proposal would increase from 11 to 20 per cent a tax credit for film production costs, but take that benefit away from foreign film makers.

The committee argues that the 10 per cent decline in the Canadian dollar over the last year, and the high quality of Canadian film crews, mean foreign producers have "more than enough incentive" to shoot films in Canada.

The distribution proposal would require that Canadian distributors be allowed to bid for distribution rights for any independently produced foreign film, rather than allowing those rights to be bundled with US distribution rights, as is now the case.

Other recommendations include an additional C$50m public subsidy for domestic film production, and a requirement that television broadcasters air Canadian-made films in prime time.

Barbados PM gains landslide poll victory

Owen Arthur, the Barbados prime minister, was returned to office in one of the biggest landslides in the history of the island, Reuters reports from Bridgetown.

Riding five years of economic growth, Mr Arthur's Barbados Labour party (BLP) captured 26 of 28 seats in the country's parliament in voting on Wednesday.

Mr Arthur, a 49-year-old economist whose party held 19 seats in the last parliament to eight for the rival Democratic Labour party, said the victory was an "awesome" responsibility for his government.

"To whom much is given, much is expected," he said.

David Thompson, the 37-year-old lawyer who leads the DLP, said that his party was not "politically dead" in spite of the scale of the defeat.

Talking to a wider audience

Cheryl Mills stands out from white male lawyers, writes Richard Wolffe

Mills: not a member of the club

One face stood out this week as lawyer after lawyer argued over the fate of the president in the marble-clad chamber of the US Senate.

After a series of middle-aged white men debated every detail of the president's conduct, Cheryl Mills, the deputy White House counsel, made a striking intervention in the impeachment trial.

She began by citing her credentials: "As a lawyer, as an American and as an African-American." And she ended with a passionate defence of Mr Clinton's record – not in the Monica Lewinsky affair – but in his support for civil rights.

Her speech was a dramatic reminder, if any were needed, that impeachment is a political as well as legal battle. She retold the story of Mr Clinton's grandfather, who owned a store serving African-Americans, before citing John F. Kennedy and Martin Luther King as "imperfect leaders".

"I'm not worried about civil rights, because this president's record on civil rights, on women's rights, on all of our rights is unimpeachable," she said.

Her speech was ostensibly designed to counter the Republican charge that Mr Clinton undermined the civil rights of Paula Jones, by attempting to deny her justice in her sexual harassment lawsuit.

But in reality Ms Mills was speaking to a wider audience than the jury of 100 senators before her.

Her appearance underlined how the Clinton administration has won strong support from both black voters and women. As only the third African-American to speak from the Senate floor, she was an inspired piece of casting in terms of popular politics and public relations – even though it was her first appearance in a significant trial of any kind.

The bulk of her speech was a withering attack on the Republican argument that Mr Clinton obstructed justice in his dealings with Betty Currie, his personal secretary.

Ms Mills effectively attacked the idea that the president orchestrated his secretary's retrieval of his gifts to Ms Lewinsky. In sworn testimony, both Ms Lewinsky and Mrs Currie said the idea of Mrs Currie's involvement was initiated by Ms Lewinsky.

However, Ms Mills was less than convincing in her defence of the president's apparent coaching of his secretary's testimony. "The president's intent was never to obstruct justice in the Jones case," she said. "It was to manage a looming media firestorm, which he correctly foresaw."

Just 33 years old, Ms Mills is one of the most loyal defenders of the Clintons and worked on the Clinton-Gore campaign in Little Rock in 1992 before joining the White House as associate counsel in charge of ethics issues. Four years later, she won a tough reputation in the 1996 campaign as a strict enforcer of the campaign finance laws.

But Eleanor Holmes Norton, the Democratic delegate for the District of Columbia, said Ms Mills might not be as effective within Congress as former senator Dale Bumpers, who joined the Clinton defence team this week.

"I'm not sure if a black lawyer helps him before the Senate," she said. "I do know that a former member helps him. He's a member of the club. She is not a member of the club."

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ASIA-PACIFIC

Gitic failure starts to hurt other Chinese businesses

By James Harding in Shanghai

The fallout from a leading Chinese investment company's bankruptcy appeared yesterday to be spreading across China's financial industry after a prominent provincial government-backed enterprise technically defaulted on a repayment due on a loan of $80m.

Fujian Enterprises told foreign creditors it would service the interest but be unable to meet the principal repayments on a syndicated loan falling due yesterday, a development likely to stoke bankers' concerns about lending to China.

The technical default comes as other Chinese investment companies report difficulties honouring foreign debts in the face of a liquidity crisis caused by the retreat of international lenders from China risk following the closure of Guangdong International Trust and Investment Corporation (Gitic).

Foreign banks have been calling in credit and refusing to roll over loans to Chinese companies since last October's closure of the Guangdong itic, once the well regarded investment arm of the government of wealthy Guangdong province. Reluctance to lend to Chinese enterprises has become more acute since it became clear that they would have to shoulder substantial credit losses when Gitic filed for bankruptcy last week with debts of $4.37bn.

Fujian Enterprises, an investment company owned by the government of Fujian province on China's eastern seaboard, is understood to have told foreign lenders that the credit squeeze caused by Gitic is to blame for its repayment problems.

The debt due yesterday was the first instalment of a $80m five-year loan led in 1997 by CCIC Finance, the Hong Kong investment bank, which Fujian Enterprises now plans to appoint as its financial adviser, Reuters reported last night. The latest difficulties at Fujian Enterprises follow reports from bankers that the company had also been unable to meet payments on a separate $70m loan maturing in 2000.

Officials at other Chinese finance and investment companies confirmed widespread strain on debt repayments as foreign lenders have withdrawn credit. "The business of all itics across China has been affected by the closure of Gitic," one official at Shanghai International Trust and Investment Corporation (Sitico) said.

Earlier this week, it was announced that another Guangdong-based itic, Guangdong Overseas Chinese Trust and Investment Corporation, has sought talks with foreign bankers after defaulting on a $50m syndicated loan which matured in December.

The restructuring of the trust and investment sector, estimated to include more than 200 itics, is one of the immediate challenges facing Dai Xianglong, China's central bank governor, at a meeting in Beijing this week of government officials and bankers focusing on financial sector reform.

One executive with a European bank in Shanghai said foreign banks will review their portfolios, the extent of their staffing for China lending and in some cases the value of their entire China operations in the light of the Gitic losses.

He also said that as international lenders pull back from China in the short-term, there will be further pressure on Chinese financial institutions: "It is going to affect anybody with maturing foreign liabilities."

Dai: meeting to focus on banking reform — Ashley Ashwood

Australia's anti-trust powers grow

By Gwen Robinson in Sydney

The failure of a proposed Australian oil refining merger and a finding against fees charged by Australia's leading telecommunications carrier have this week highlighted the growing powers of Australia's anti-trust and consumer protection body.

The Australian Competition and Consumer Commission (ACCC) was blamed by Mobil Oil Australia yesterday for its decision to abandon talks with Shell Australia, the local unit of Royal Dutch/Shell, over plans to merge their Australian oil refining operations.

Mobil cited "uncertainty" over prospects of gaining the ACCC's required approval of the joint venture. The two companies had been locked in talks with the ACCC since they announced the plan in August. Allan Fels, the commission's chairman, had publicly suggested the merger would "substantially lessen competition".

Pessimism took hold at Mobil Australia in December when Mobil, its US parent, and Exxon announced their proposed global merger. The gloom deepened when Australia's two other main oil refiners, BP Australia and Caltex Australia, said they too were discussing a local joint venture.

Last night, Peter Duncan, Shell Australia's executive director, said he was "disappointed" by Mobil's withdrawal.

Two days earlier, the ACCC disappointed Telstra with a demand to halve rates it charged other carriers to interconnect with its network. In a draft ruling, the ACCC said Telstra's interconnection fees were "significantly above" international comparisons. It concluded that the company was "overcharging competitors" to use its network for long-distance and international calls.

It was the latest salvo in the ACCC's battle with Telstra, which is two-thirds government-owned. Last month, the ACCC issued a landmark draft ruling that Telstra should open its networks to allow competitors access to the local call market.

Telstra, which is expected to contest that ruling, said this week that the ACCC's latest order would force it to reduce network investment and increase rural line-rental charges.

For Mr Fels, it is all part of a mission he describes as "protection of the Australian consumer". His zeal has helped the ACCC grow from its earlier form as the government's trade practices watchdog. From 1994, the ACCC has developed powers beyond most anti-trust or fair-trade equivalents around the world.

Last year, it opened the market for parallel imports of CDs. This year, it will rule on proposals including a planned merger between Australia's stock market and futures exchange.

Bank profits come under pressure in China

By James Harding in Shanghai

China's commercial banking industry has displayed evidence of the strains it is under, with two of the biggest Chinese banks this week reporting sharp falls in profits last year.

The downward pressure on profits underlines the stresses on a sector hobbled by bad loans that render the industry technically insolvent by western standards, and suffering from a worsening domestic business environment and falling interest rates.

Bank of China, the state-owned commercial bank with the broadest international exposure, announced a 40 per cent slide in profits last year to RMB3.52bn ($425m) last year compared with RMB5.87bn in 1997.

China Construction Bank, another of the "big four" commercial banks, reported profits of RMB850m, 44 per cent down on the RMB1.51bn in 1997. A bank official said the sharp reduction in profits was caused by the cuts in interest rates, which have badly dented margins.

Chinese banking officials have sought to show the 1998 figures as a relative success given the pressures on the financial sector last year in the wake of the Asian crisis. A Bank of China spokesman said the results showed the bank "winning the battle against last year's financial turbulence".

But the results also show how China's banks have come under pressure as commercial borrowers have suffered in a deteriorating trading environment.

Industrial and Commercial Bank of China (ICBC), which has in the past concentrated on lending to industry, achieved better financial results in 1998. Profits rose to RMB3.39bn (from RMB3bn) as the bank saw a strong rise in lending business, notably to infrastructure construction projects, as well as a significant rise in domestic deposits, according to a bank official.

Leading commercial bankers and finance industry officials gathered for a conference in Beijing this week to discuss measures to address the big four banks' problem loans – which officially account for 20 per cent of their total assets.

The 1998 results are likely to reinforce the argument behind the plans to establish asset management companies to handle bad and problem loans. Each of the leading four banks has won approval from the state council, China's cabinet, for companies to handle compromised assets, loosely modelled on the US Resolution Trust Corporation.

An official at the Agricultural Bank of China said: "How to put the approval into effect is the work that is ongoing at the conference in Beijing."

NEWS DIGEST

EXPORT ORDERS FALL

Taiwan industrial output struggles to grow

Taiwan's industrial output rose just 3.79 per cent last year compared with 1997, while export orders fell 4.0 per cent to US$118.44bn, the Ministry of Economic Affairs said yesterday.

Industrial output in December was down 0.75 per cent from the same month a year earlier. The fall was steeper than many economists had expected, underlining a lack of overseas demand and the large company inventories.

December export orders were worth US$9.99bn, down 5.55 per cent compared with the same month the year before. Some economists had expected a sharper fall – Taiwanese exporters have been hit hard by price competition from south-east Asia and by falling demand in Japan and other main markets. **Mure Dickie, Taipei**

CHINESE COMPANIES

Forex fraud uncovered

China has uncovered a $400m foreign currency fraud in the remote western province of Qinghai, an example of how Chinese enterprises have continued to pursue illegal channels to secure hard currency in spite of Beijing's countless pledges not to devalue the renminbi. China this week announced it would redouble efforts to crack down on foreign exchange fraud.

Five trading companies were found to have provided false import declarations to help other companies illegally buy more than $400m since 1997, the Shanghai Securities News reported yesterday. The Qinghai companies had accepted RMB3.2m ($386,000) in improper fees and distributed RMB2.74m among its staff, the newspaper said. **James Harding, Shanghai**

CHINESE COURT

Internet telephony ruled legal

A regional Chinese court has opened the floodgates to internet telephony by ruling that two entrepreneurs offering international calls over the internet in their shop are not breaking the law.

The Fuzhou Intermediate People's Court in the south-eastern province of Fujian decided that internet telephony was "just one of many computer information services, which, according to a state council circular issued in 1993 are not monopolised businesses". The court added that calls over the internet were technologically different from telephone calls.

The ruling, which overturns a decision by another Fujian court, represents a blow to China Telecom, the state-owned telecoms company, which has what is virtually a fixed-line monopoly. International calls over the internet can be made for the price of a local call, although the quality of voice transmission may be impaired.

There are many internet telephony operations in China but they have operated relatively secretly, unsure of whether they are breaking the law or merely exploiting a legal loophole. **James Kynge, Beijing**

INDIAN POLITICS

Cricket peace promised

A militant Hindu nationalist party yesterday withdrew threats to disrupt cricket matches between India and rival neighbour Pakistan, just in time for the Pakistan team's arrival in Delhi.

Balasaheb Thackeray, controversial leader of the Bombay-based Shiv Sena party, called off planned protests amid widespread media and political outrage at the threats of violence towards the Pakistani team. His move followed the urgent intervention of senior members of India's ruling Bharatiya Janata party, which is a coalition partner of Shiv Sena in both the national and Maharashtra state governments.

Shiv Sena activists last month ripped up the pitch in Delhi, where the first India-Pakistan match was to be played, and earlier this week were alleged to have ransacked India's national cricket headquarters in Bombay, smashing trophies won by India over the past decade. **Mark Nicholson, Madras**

US team upbeat on India ties

By Mark Nicholson in Madras

Prospects for US-Indian political and commercial relations could prove "better than ever", according to the head of a visiting US trade and investment delegation.

But Dean O'Hare, chief executive officer of Chubb, the US insurer, and chairman of the US-India business council, said optimism for a thaw, in spite of the sanctions and suspicions arising from India's nuclear tests last May, rested partly on "clear" and "positive signals" emerging from an eighth round of bilateral Indo-US talks next week.

"The events of May shook people up, but you have to look at this as an opportunity – which, if the two governments can seize it, could be very bright," he told a press conference after a two-day business seminar on investment in south India.

Strobe Talbott, US deputy secretary of state, is due to resume talks on nuclear proliferation and related issues with Jaswant Singh, India's foreign minister, in Delhi on January 27. Washington hopes that the talks will draw India into signing the Comprehensive Test Ban Treaty. Both sides have spoken of "encouraging" progress to date.

Mr O'Hare, leading the biggest group of US business executives to visit India since May, told the business seminar that the nuclear tests, and Washington's negative response, had threatened to "profoundly disrupt" US commercial relations with India. He said that had Washington applied in their entirety the sanctions permitted under the Glenn Amendment, this would have "spelled disaster" for such ties.

But US moves to waive some sanctions and offer flexibility towards others, combined with "sustained" dialogue between Washington and Delhi, had "opened possibilities for Indo-US collaboration previously unimagined".

Mr O'Hare's upbeat tone was broadly shared by the 120 delegates to the US-India business conference. Many said sanctions, which apply chiefly to military or dual-use trade with India, had made little or no difference to commercial relations. "The whole sanctions issue has just faded into the background from a business perspective," said David Wolf, of Fremont Group.

Sanctions were ranked well behind other factors affecting India's business climate in a study of corporate attitudes.

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STATE REVENUE COLLECTION 'AVOIDANCE UNDERMINES FAIRNESS IN BUSINESS,' SAYS TREASURY MINISTER

Tough law will combat heavy tax losses

By Jim Kelly in London

The Customs & Excise department yesterday unveiled the UK's first attempt to use a "catch-all" tax law to stem the loss of £1bn ($1.6bn) in value added tax revenues every year since the late 1980s through complex corporate tax avoidance schemes.

Dawn Primarolo, paymaster general (a Treasury minister), is "determined" to make the tax system fairer. "Tax avoidance undermines fairness in business, by making the tax burden fall heavier on those who do not pay for creative tax advice," she said.

The tax authorities suspect billions of pounds of tax is lost because companies use consultants to construct complex and legal avoidance schemes.

The draft law – a form of General Anti-Avoidance Rule – would mirror those in New Zealand and Australia in attempting to disqualify tax planning that falls within a broad definition of avoidance.

Successive governments have become disillusioned with using Budgets to tackle such tax schemes because by the time the law is changed millions of pounds have been lost. Tax law is not retrospective in the UK.

According to the draft there is a chance that businesses would have to pay if they wanted official clearance from Customs & Excise that a tax scheme was not going to fall foul of any new legislation.

The attempt to combat VAT avoidance comes alongside a similar plan to introduce a "catch-all" tax law for direct taxation. Gordon Brown, chancellor of the exchequer, is enthusiastic about the draft measures.

The document was immediately attacked by tax advisers as giving too much power to the authorities and introducing uncertainty. "I think charging is wrong. It's tax let alone paying to find out if you have to pay it," said John Whiting, chartered tax partner with PwC, the professional services firm.

"Big ticket transactions depend on certainty because businesses need to know the tax outcome before binding themselves into a contract," said Celia Brennan, a KPMG expert in the construction industry.

Edward Troop – a former adviser to Kenneth Clarke, former Conservative chancellor, and a tax adviser with Simmonds & Simmonds – said: "This is a fantasy approach. There is not a world out there where business ignores tax consequences."

● *The government moved close to victory yesterday in its long-running £15bn ($25bn) tussle with UK business over VAT claims*, when the advocate general of the European Court found in its favour in a preliminary judgment. Business claimed Customs & Excise had collected the VAT illegally on the purchase of company cars since 1973. A final decision from the court is expected later this year but it normally follows the advocate's ruling.

GAAR draft available at www.hmce.gov.uk.

Virgin to target over-30s with store redesign

By Alice Rawsthorn in London

Virgin Megastores, one of the UK's largest music and entertainment retailers, plans to target older consumers, thereby reducing its reliance on the teenage market.

Like its rivals, Virgin Megastores has traditionally designed its stores to appeal to 15 to 24-year-olds. However, its new stores, and redesigned ones, will be oriented towards affluent over-30 year-olds, according to Simon Wright, the retailer's managing director.

"The over-30s don't buy as much music as they used to, because they don't feel comfortable in record shops; but they've got more money to spend than teenagers and they're likely to buy three albums, rather than one single," he says.

Virgin's change of strategy comes at a turbulent time in record retailing. It changed hands when Richard Branson's Virgin Group bought a majority shareholding from retailer WH Smith, and the rival HMV chain was spun off from the EMI music group into a new company with Waterstone's, the bookshop chain.

Borders, the US retailer, snapped up five UK sites for its books and music superstores. And traditional retailers are unsettled by the popularity of online record shops, notably CD Now and Amazon, and the trend for downloading pirated songs from the internet on MP3 sound files, which are then e-mailed to friends.

Virgin sent executives to the US and Europe to analyse interesting retail concepts there, and commissioned Red Jacket, the design consultancy, to develop new store lay-outs. The first new-look store will open in Glasgow, Scotland, late this year.

The design of the Glasgow store, which will be the UK's biggest record shop outside London, will "be very different in look and feel than anything we've done before, with quieter colours and less clutter", said Mr Wright.

If the new concept proves successful in Glasgow, Virgin intends to refine it for any future new stores.

A British soldier stands guard as the base, in the republican stronghold of west Belfast, is demolished PA

Ministers finish job begun by IRA

Fort Whiterock, one of the most symbolic British army bases in Northern Ireland, was demolished by the UK government yesterday after years of unsuccessful attempts by the Irish Republican Army. The building dominated the skyline of the republican district of west Belfast for 20 years. It is the first big British base in the region to be pulled down since the April 1998 peace deal. Its bomb-proof walls housed thousands of soldiers at the height of the "Troubles". Marie Moore, local Sinn Féin councillor, said: "We now hope the land will be given back to the people in the area to have an industrial estate and maybe even a tourist attraction."

ANTI-IMPOTENCE DRUG DOCTORS' LEADER SCORNS DECISION TO LIMIT DISTRIBUTION IN STATE HEALTH SERVICE

Pfizer attacks government's Viagra curb

By Nicholas Timmins, Public Policy Editor

Pfizer, the maker of Viagra, may take legal action following the government's decision to ban prescription of the anti-impotence drug on the state health service for most conditions.

The decision, taken on cost grounds, was condemned as "cruel and wholly unethical" by Dr Jeremy Chisolm, family doctors' leader at the British Medical Association. Pfizer accused the government of breaching the founding principle of the state health service that "medical treatment should be available to patients on the basis of clinical need alone".

The decision was welcomed, however, as "a sensible and workable solution to a difficult problem" by Stephen Thornton, chief executive of the NHS Confederation that represents health authorities and trusts in the state health service (NHS).

It means Viagra will only be available, at the rate of one pill a week, to patients whose impotence is due to a prostate operation, major pelvic surgery, diabetes, spinal chord injury or multiple sclerosis. That is about 15 per cent of the total for whom Viagra is licensed, according to Pfizer.

Ken Moran, chairman of Pfizer, which is considering "all its options", accused the government of discriminating against patients with heart disease and psychological problems.

Frank Dobson, chief health minister, said impotence was "neither life-threatening, nor does it cause physical pain". Viagra, however, could increase tenfold or more the £10m to £12m a year which the state health service spends on impotence. The drug could become "a serious drain on NHS funds". To limit this impact its use of Viagra – and that of other present impotence treatments – would be restricted. In cases of "severe distress" the drug will be available from hospital doctors. In the first major break with the principle that family doctors should not provide private treatment to NHS patients, they will be allowed to prescribe the drug privately to patients with other causes of impotence.

Dr Chisolm said the decision made "a completely false distinction between good and bad causes of impotence, and acceptable and unacceptable ones. It is wholly unethical to distinguish between equal clinical needs on the crude basis of the cause of the impotence".

The BMA's family doctors' committee decided to defy the government's informal ban on Viagra, advising doctors to prescribe it freely until secondary legislation is in place.

PRIVATISED TRAIN OPERATORS JOHN LAING INTENDS TO TAKE CONTROLLING STAKE IN CHILTERN RAILWAYS

Construction group plans $10m rail deal

By Charles Batchelor, Transport Correspondent

John Laing, the construction and civil engineering group, last night unveiled plans to acquire a controlling stake in Chiltern Railways, a privatised company that runs trains between London and Birmingham.

Laing has reached agreement to buy out 3i, the development capital group, and acquire part of the present management's shareholding in a deal valued at £6m ($9.9m). Its shareholding will rise from 26 per cent to 84 per cent.

But the change of control will require approval from the rail franchising director and the rail regulator. Chiltern is the fourth rail franchise to come under the control of one of its original shareholders and follows Go-Ahead Group's acquisition of full control of Thames Trains and FirstGroup's purchase of the Great Western and North Western Trains franchises last March.

The five directors of M40 Trains, Chiltern's parent company, will receive a total of £2.7m for 35 per cent of the company's shares worth £104,000 when first acquired 2¼ years ago. 3i will receive £3.3m for its investment of £1.1m in a 23 per cent holding of ordinary shares plus a chunk of preference shares. Chiltern Railways has increased passenger numbers by 25 per cent since privatisation.

Laing said the deal would strengthen its involvement in the transport sector, which already includes investments in tram systems in the West Midlands and Manchester and contract work for Railtrack, the privatised owner of most of the national rail infrastructure.

● Cross-London rail routes avoiding the need for passengers to use the London Underground railway system are to be launched by GB Railways, the Aim-listed company that operates Anglia Railways.

The company also plans a service from London's Waterloo to the south coast port of Southampton, with a fork to the town of Romsey that would compete directly with South West Trains. Relaxation of controls on rail competition from this year will allow train operators to launch services challenging existing operators.

The train operators are keen to respond to passenger demand for cross-London routes that avoid the need for connections on the Underground. The key for the operators is to find routes that do not involve costly investment in track or tunnels.

NEWS DIGEST

EU INVESTIGATION

Steel towns demand duties to stop 'dumped' exports

Steel producing areas in the UK yesterday pleaded for increased pressure on the European Union for tariffs on steel products they claim are being dumped on the market, strangling local manufacturers. The Steelaction group, representing 28 municipal authorities in steel areas, called for heavy duties on hot rolled coil and other steel products it claimed were "flooding into Britain and threatening British jobs". Asian producers, in particular, were "sending their steel here and selling it at prices below what they charge in their own domestic markets", Steelaction said. The steel communities want British ministers to push for interim tariffs on imports when the European Commission produces a preliminary report on six steel dumping complaints brought by Eurofer, the European steel producers' association. The complaints allege dumping of hot rolled coil – used to make industrial products – by Bulgaria, India, South Africa, Taiwan and Yugoslavia. Eurofer is also planning anti-dumping complaints against heavy plate and wire rod imports – used in construction – from countries including China, India and Turkey. **Kevin Brown, London**

HEATHROW CLEANERS

Airport security probe ordered

The government yesterday ordered a full investigation into security at UK airports after a reporter using false references claimed to have been employed by a cleaning firm at London Heathrow, the country's biggest airport. John Reid, transport minister, also told BAA, the airports group, to withdraw temporary entry passes from employees of Skyline, a contract cleaning company at Heathrow. Mr Reid said Skyline employed up to 20 temporary staff. A reporter from The Sun newspaper said he was left alone on aircraft at the airport. Wednesday's report in The Sun, the biggest selling UK daily paper, came 10 years after it exposed security failures at the airport in the wake of the Lockerbie bombing. **Michael Skapinker, London**

WORKPLACE REFORMS

BP workers win 47% rise

Pay increases of more than 47 per cent over the next three years can be expected from a agreement negotiated between BP Chemicals and the TGWU trade union at the company's polyethylene plant at Wilton, north-east England. Under the wide-ranging deal, jobs are to be cut by nearly a quarter, mainly through voluntary redundancy. The remaining workforce has agreed to the abolition of craft-grade skills and the introduction of multiskilled, self-managed teams. Performance-based pay will be introduced. Mike Brider, the union's district secretary, said the agreement created a "common manufacturing culture to achieve common aims" by sweeping away traditional demarcation and restrictive practices. "It shows what can be done through participation between management and unions," he said. **Robert Taylor, London**

TRADE UNIONS

Cuts aim at $495,000 deficit

The Trades Union Congress is to merge its European unit and its international department in a series of cuts intended to end a £300,000 ($495,000) deficit. The enlarged department will be headed by Tom Jenkins, currently chairing the EU's social and economic committee. The cuts reflect the increasing strain on resources facing trade unions, with an expected further net decline of 2 per cent in membership this year. The TUC believes a recession in manufacturing will hit the unions hard in an area in which they remain relatively strong. The package will involve the early retirement of David Lea, 61, assistant general secretary for the past 20 years, and the abolition of his job. He was important in ensuring the TUC developed a more positive attitude to the European Union after years of opposition. **Robert Taylor, London**

CAR SALES

Peugeot takes on extra workers

Peugeot has added two more shifts to the working week at its plant near Coventry, in the English Midlands, to meet greater than expected demand for the new 206 car. The arrangement will last until April, when 900 extra workers will start working one shift each on Friday, Saturday and Sunday, raising production from 2,500 to 3,500 cars a week. The company said it has had more than 10,000 applications for the 900 jobs.

● The Rover offshoot of BMW is to close its smallest factory because the cars for which it makes parts have been dropped. The plant in Bargoed, south Wales, was opened by Sir Herbert Austin, head of the Austin car company, in 1949 to offer sheltered work to miners disabled by respiratory problems. **Juliette Jowit, Cardiff**

Bankruptcy expert says there are doves among the vultures

Jim Kelly meets David Mond, a licensed insolvency practitioner who says the emphasis is now on 'corporate rescue'

It is raining in Manchester's Chinatown and restaurant owners stand on doorsteps wondering if the recession has reached the northern England city. Across the street – behind a red, blue and gold pagoda – is a business that has no worries about boom and bust.

Hodgson's – licensed insolvency practitioners – occupies part of a fine Georgian block-built in the days of the once prosperous textile industry. David Mond, senior partner, is an "IP" – better known as a liquidator, receiver, administrator or trustee in bankruptcy. "A recession does present more opportunities for businesses to get into trouble, but we're not slapping our hands together and waiting around like vultures. Businesses get into trouble all the time," he says.

Total insolvencies in England and Wales in 1992, the middle of the last recession, were running at nearly 25,000 a year and personal insolvency – bankruptcy – at 37,000. In 1997 the figures were 12,000 and 25,000 respectively.

Recessions bring more than their fair share of grief and resentment when businesses fail, much of it directed at IPs. Mr Mond has learned tact. "When I turn up at a business I ask for the relevant director and say it's a personal matter. I don't park right outside the front doors as though I own the place," he explains. "The creditors see you as the directors' man – which is the opposite of the truth. The directors may turn against you if you find anything wrong; perhaps they've been paying their friends off before it was too late."

But do the good times roll for Hodgson's when the rest of the economy hits a recession? Mr Mond says most insolvency cases run for several years, so that work naturally spreads out and takes the peaks and troughs off the counter-economic cycle. "We take the opportunity to clear the decks," he adds.

But licenced IPs are not the only people around when businesses fail. "There are plenty of ambulance chasers and carpet-baggers out there. Directors panic when businesses run into trouble – they sometimes turn to the wrong people," he says. Those who really make a fortune do a lot of damage – a constant cause of concern for government.

These vultures offer quick solutions – such as stepping in as shadow directors, for a price, while telling the real ones they can just walk away from the debts.

This recession – if it comes – could be different. Firms like Hodgsons are at the forefront of attempts to change the image of IPs. The emphasis is now on "corporate rescue" and "business turnaround" and using imaginative, informal, procedures to help save businesses before they collapse.

Mr Mond is able to do *pro bono* work in the new "rescue culture" thanks to the sale of his 5 per cent share in Manchester United, the soccer club. He is in the process of taking on powerful vested interests – such as the banks and Big Five accountancy firms – to try to save more businesses and win a fairer division of the assets when they do fail.

He is working on a bakery in southern Scotland which ran into trouble after a failed merger. Mr Mond put together a CVA – company voluntary arrangement – but the Inland Revenue block the deal. He has badgered the tax authorities – and local MPs – to try to keep the business alive.

"We are talking about 50 people's jobs in an area of high unemployment. They just put too much emphasis on compliance."

Mr Mond's is not a lone voice. Until his untimely departure from the government, Peter Mandelson, the former chief trade minister, pushed for a brace of reforms designed to create a more entrepreneurial culture – including moves to curb failures prompted by the banks and tax authorities.

Confidence increases slightly among manufacturers

Pressure on manufacturers may be easing after recent interest rate cuts and a fall in the value of sterling, Christopher Adams writes. The latest survey from the British Chambers of Commerce points to modest improvement in confidence among manufacturers but slowing growth in the service sector. Ian Peters, BCC deputy director-general, said the economy was poised between recession and recovery.

Manufacturers have struggled with contracting demand, hurt by the pound's recent strength and Asian economic turmoil. But the survey showed the export market improved in the fourth quarter of last year.

However, more manufacturing companies were shedding than hiring staff for the first time in five years.

Domestic sales growth in the service sector contracted sharply, slowing to its lowest rate since the depths of the UK's last recession in the early 1990s. "The UK is still really very vulnerable to economic turmoil in overseas markets; it won't take much to nudge the economy further on a downward path," said Mr Peters.

In the longer run, interest rates would need to come down to a level comparable with the 3 per cent in the euro-zone, he said. "The pound is still too high. It needs to be significantly lower if we are to compete effectively."

Richard Iley, economist at ABN Amro, said: "It is difficult to extrapolate a full-blown recession from this survey."

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RECRUITMENT

RICHARD DONKIN

La dolce cooperativa

A study of two Italian towns suggests it is better to work in a co-operative

Do you ever wonder if you are working yourself into an early grave? If so, you might be interested in a study by David Erdal, chairman of Baxi Partnership, the employee-owned central heating boiler manufacturer in Bamber Bridge, Lancashire, UK.

His idea was to test, using various measures, whether the quality of life in an egalitarian community was better than that of a conventional town.

He chose to explore his theories among the small towns surrounding the northern Italian city of Bologna. As Mr Erdal notes, life is good in this part of Italy. He was attracted to the region because of the large number of co-operative ventures in the area, many of which are over 100 years old. The co-ops are particularly thickly spread around Imola, a town of 60,000 people.

Some 18 per cent of Imola's working population is employed in co-operatives. More than a third of its families have at least one member working in a co-op.

But in Sassuolo, a 40,000-strong community about 40 miles away, no one works in a co-op.

Imola has no great divide between rich and poor. But in Sassuolo the divide appears much greater.

Mr Erdal's theory is that co-operative ventures promote stronger, more peace-loving and healthier communities. His biggest problem has been persuading the good people of either town to return his questionnaires. A random sample of 1,500 names taken from the telephone directory has elicited just over 180 responses so far.

He has, however, collected other evidence, scouring newspapers for crime reports and checking death notifications. Early evidence points to greater voluntary work and more employee training in Imola.

But one clear difference has emerged between the communities. The citizens of Imola live longer than those in Sassuolo, with a 14 per cent lower mortality rate over the past six years. This may in part have something to do with diet. Further research would be needed to examine the reasons. But Mr Erdal seems certain of one point: "Employee share ownership makes you live longer. That's the main thing I want to bring out."

The finding tends to support some long-running research on Whitehall hierarchies by Michael Marmot, director of the International Centre for Health and Society at University College London. This research has discovered that people lower down a hierarchy are more likely to suffer heart attacks than those in the upper echelons.

Mr Erdal's finding was well received by delegates at the annual International Employee Ownership Conference, held in Oxford earlier this month. The conference was seeking ideas to put to Gordon Brown, the UK chancellor, who in November announced a consultation exercise looking at ways to extend employee share ownership.

One of the conference recommendations is to extend tax benefits available for the owners of family business seeking to pass on shares within the family to those who want to transfer shares to employees.

Mr Erdal sold his shareholding in the family paper milling business, Tullis Russell, to employees in a leveraged buy-out deal where profits are used to buy the shares on behalf of employees. The sale allows him to pursue other interests, including a doctorate based on his study of the Italian towns.

"The results at this stage are suggestive rather than final," says Mr Erdal who is continuing his research. "But the evidence so far is supporting the thesis that egalitarian communities are better than others in important ways. It should be said that Sassuolo is a very good place to live by international comparisons – but Imola is better."

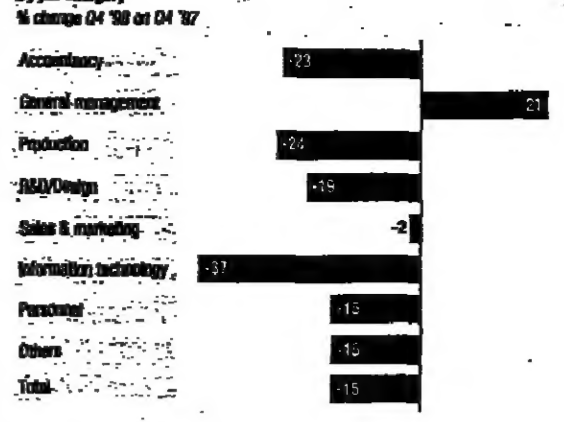
Demand falls

Advertised demand for senior executives during the fourth quarter of 1998 fell 15 per cent on the same period the previous year, according to statistics compiled for MSL Search and Selection, a recruitment company.

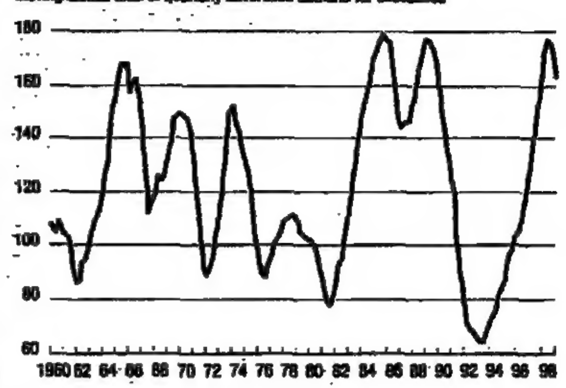
The drop in demand meant that advertised opportunities fell 4 per cent over the year. This first fall in demand since 1992 contrasts with a 27 per cent increase in 1997 and a 30 per cent increase in 1996.

The only job category where overall demand increased during 1998 was general management, which continued to buck the trend.

MSL recruitment index
By job category
% change Q4 '98 on Q4 '97



MSL recruitment index (1959=100)
Moving annual total of quarterly advertised demand for executives



Source: MSL Search and Selection

General management jobs turned over more slowly than others – 11 per cent against nearly 17 per cent for all jobs, according to an Institute of Personnel and Development study of the UK employment sector in 1997.

The IPD found that professional staff were the most expensive to replace, costing employers an estimated £4,699 ($7,750) per person, compared with £773 for an unskilled worker.

richard.donkin@ft.com

Lucrative times for headhunters
Net revenue ($m)*

World	1997	1998	% change
Korn Ferry Int'l	315	350	+11
Heidrick & Struggles	263	324	+23
Spencer Stuart	219	240	+10
Egon Zehnder	182	218	+20
Russell Reynolds	184	196	+7
Europe	**1997**	**1998**	**% change**
Egon Zehnder	110	130	+18
Heidrick & Struggles	83	121	+46
Korn Ferry Int'l	82	100	+22
Spencer Stuart	65	80	+23
Ray & Berndtson	63	75	+19

Source: Economist Intelligence Unit. Some figures have been updated since this report went to press. * As at January 19 1999.

Search revenues 'could top $10bn by 2000'

Headhunting revenues worldwide could top $10bn by 2000, according to the 1999 edition of Executive Search in Europe, a headhunting directory published by the Economist Intelligence Unit. It estimates that worldwide revenues today are running at between $7bn and $8bn a year.

Nancy Garrison Jenn, who wrote the report, says that the top 20 international headhunting firms had a combined net revenue of $2.16bn in 1997, about 30 per cent of the total market and 18 per cent higher than their combined 1996 revenues. Europe accounted for 42 per cent of the top 20 1997 revenues.

Europe's top 10 search firms increased their revenues by 16 per cent on the previous year. Among the top five firms worldwide, Heidrick & Struggles continues to grow most strongly, edging ever closer to Korn Ferry International, the industry leader.

Ms Garrison Jenn reports a trend towards industry consolidation and a move towards public offerings among the larger companies. LAI Ward Howell became a public company in 1998 and both Heidrick & Struggles and Korn/Ferry have been considering public offerings.

She adds that traditional firms are facing a turbulent time as new players, such as internet-based firms, enter the market. Greater competition, she says, will force firms to improve and quicken their services.

The report costs $240 +44 0171 830 1007

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- Third level qualification preferably with an MBA;
- Ability to actively participate at senior management and credit committee level and be at ease in managing a team of professionals.

Interested candidates should send a detailed curriculum vitae including latest salary details (quoting Reference: PG/143) in strict confidence to: Philip Galvin, Ernst & Young, Management Consultants, Harcourt Centre, Dublin 2. Tel: +353 1 475 0555. Fax: +353 1 475 0593. E-mail: philip.galvin@ie.eyi.com

ERNST & YOUNG
MANAGEMENT CONSULTANTS

Global Cash Management... Operational Consultancy

Frankfurt — DM neg.

Deutsche Bank is the leading European commercial and investment bank. Currently operating globally, its aim is to become the top investment bank in the world. To achieve this they must attract and develop the very best people.

They are currently seeking to attract a team of operational consultants to join the internal consultancy team in Frankfurt. You will be expected to understand operational problems and issues and not only identify solutions but also implement them. The focus will be on global cash management, with projects currently identified in Frankfurt, New York, Tokyo and across Europe. The roles will work closely with operational staff, identifying appropriate operational based solutions always focusing on the commercial needs of the bank and future developments in the global marketplace. These roles obviously contain a large element of international travel.

The successful candidate

You must have;

- At least one degree,
- At least two years relative experience working within a cash management environment,
- Good presentation skills both oral and written,
- A high degree of numeracy,
- Fluency in a second language would be advantageous though is not a prerequisite.

The level of remuneration and benefits package will reflect the experience and calibre of the individual sought.

London January 1999

Interested candidates are requested to forward a comprehensive cv to:
Tony Hodgins, Wheale Thomas Hodgins plc, Executive Resourcing, 13 Berkeley Square, Clifton, Bristol BS8 1HG, UK.

Deutsche Bank

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HIGH NET WORTH PRIVATE INVESTOR

ASSISTANT PORTFOLIO MANAGER

Attractive remuneration package **CENTRAL LONDON**

A major international private investor, our client has an office in Central London to provide management services for all administrative and financial affairs. The office operates as a small team working closely together and is currently looking to recruit an Assistant Portfolio Manager who can make a strong contribution to the development of the business. Reporting to the Portfolio Manager and working closely with the Financial Controller, this represents an excellent opportunity to obtain wide experience in all aspects of Portfolio Management, as well as gaining increased responsibility over time.

The Position

- Provide support to the Portfolio Manager in managing an extensive and varied portfolio.
- Participate in the decision-making process, including asset allocation and manager selection.
- Liaise with Asset Managers on a regular basis to monitor the portfolios.
- Provide assistance to the Financial Controller in general office administration and regular reporting of performance.

The Requirements

- Graduate calibre, with back office, and preferably front office, experience.
- Numerate, with IT skills.
- High-quality interpersonal and presentation skills, together with the credibility to deal with senior level personnel.
- Personal flexibility to contribute effectively to the operations of a small team.

Please send your CV with current salary details to: James Isaacs, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 80068A/0€.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

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London W1N 7HE

Norges Bank Investment Management is responsible for the management of The Government's Petroleum Fund as directed by the Ministry of Finance, and for the management of a major portion of the Central Bank's foreign reserves. The Petroleum Fund is currently valued at more than $20 billion, and is approximately 40 per cent invested in equities. The Petroleum Fund has seen a rapid asset growth since inception, and is expected to continue its growth for the foreseeable future.

Exciting Opportunities in Global Equity Portfolio Management

Norges Bank is in the process of expanding its investment management team. We currently have opportunities for five motivated individuals to fill key roles in the equity department of our organization. Ideal candidates will have a proven track record with a minimum of three to five years' direct experience.

■ **Head of Equity Trading**
The head of equity trading will be responsible for creating and managing a global equity-trading operation. He or she must have experience in all aspects of trading large global active and passive equity portfolios. The successful candidate will have a proven track record along with strong organizational and communication skills. The position will be based in Oslo with trading responsibility covering Europe, North America and Asia.

■ **Enhanced Index Portfolio Manager**
Responsibilities include identifying investment opportunities and management of an enhanced index portfolio. Experience as a manager of enhanced index portfolios is a must.

■ **Global Sector Analyst – Telecommunications**
The successful candidate will be responsible for the fundamental research coverage of the global telecommunication industry and will participate in equity investment strategy and stock selection. He or she will have sector portfolio management responsibilities, and will be expected to contribute immediately. The candidate will currently be an analyst or industry professional.

■ **Global Sector Analyst – Financials**
The successful candidate will be responsible for the fundamental research coverage of the global financial industry and will participate in equity investment strategy and stock selection. He or she will have sector portfolio management responsibilities, and be expected to contribute immediately.

■ **Global Sector Analyst – Consumer Products**
The successful candidate will be responsible for the fundamental research coverage of the global consumer products industry and will participate in equity investment strategy and stock selection. He or she will have sector portfolio management responsibilities, and be expected to contribute immediately.

■ **Further information**
The first two positions are located in Oslo. For the sector analyst positions, location at the Norges Bank New York Representative Office is open to discussion.

Norges Bank is building an investment management community of top international standard. The positions will offer unusual opportunities for both professional and personal achievement, with substantial responsibility designated.

Please send resumes to Norges Bank Investment Management, P.O.Box 1179 Sentrum, 0107 Oslo, Norway, no later than 5 February 1999. Faxes are also accepted at 47 22 31 66 61 as well as e-mails at yngve.slyngstad@moa.norges-bank.no. Questions can be addressed to Yngve Slyngstad (47 22 31 61 94) or Steve Hirsch (47 22 31 61 03) or Lise Taylor (47 22 31 62 71).

NB NORGES BANK

Associate Director

Scotia Capital Markets

An opportunity has arisen within Scotiamocatta London (the metals division of the Bank of Nova Scotia) to join its marketing team.

This position involves the marketing of specialised bullion products in continental Europe. The challenge this opportunity offers will appeal to an individual seeking a dynamic international environment offering career prospects and a reward fully in line with his/her ability.

The successful candidate will be a self-motivated graduate (or equivalent), fluent in Italian and preferably another European language. Candidates will have a sound commercial banking background, good marketing skills, knowledge of documentation and be PC literate.

An attractive compensation package commensurate with experience will be offered to the successful candidate.

In the first instance, please send full personal and career details to Philip Macer – Manager Human Resources, The Bank of Nova Scotia, 33 Finsbury Square, London EC2A 1BB

Scotiabank

ODDO & CIE

Investment Services Firm

ODDO & Cie is one of the leading investment services companies in France, with over € 75m in consolidated shareholders'equity, € 4bn in assets under management and around 300 employees. In the context of our expanding business, we are looking for a

Derivatives Arbitrage Trader European Markets

As a member of the equity derivatives team (based in Paris), your role will be to conduct and expand our arbitrage activities in areas such as convertible bonds, warrants, risk arbitrage and basket trading, into new markets, including Germany, Netherland, Belgium and Switzerland.

The successful candidate will have a high-calibre gradu The successful candidate will have a high-calibre graduate education, together with at least three years experience in arbitrage trading. (S)He will speak English fluently. A basic knowledge of French is necessary. Another European language, such as German, would be an asset.

Please send a letter and your CV (reference LSH/FT) to : Henri ALLIEZ - ODDO & Cie 12, boulevard de la Madeleine - 75009 Paris - France.

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Regional Manager Germany (Düsseldorf)

Attractive Package

CDR International is a leading international supplier of specialist consultancy services in the area of business intelligence, intellectual property protection, corporate rescue, fraud prevention and risk analysis.

The company is a wholly-owned subsidiary of Armor Holdings Inc. and has developed a strong reputation for its ability to deliver solutions. We are regularly retained internationally by both the public and private sectors to advise on all aspects of risk assessment and management, audit procedures and enforcement.

In order to support our continuing expansion we are seeking to appoint a manager for our German office based in Düsseldorf.

The successful candidate will ideally have several years' experience in business intelligence, or the investigation and analysis of fraud gained in a financial, commercial or legal environment. Fluent/Mother Tongue German is a prerequisite and knowledge of other languages an advantage. Ideal candidates should also possess excellent interpersonal and presentation skills and show commitment to expansion, resourcefulness, drive and enthusiasm.

This is an opportunity to join an inspiring and challenging environment, involving work which is genuinely stimulating and which offers excellent career prospects.

Interested individuals should send their CV's to Mike Stannard, Director of Operations at CDR International, 5th Floor Eagleton House, 25-28 Buckingham Gate, London SW1E 6LD.

ASSET MANAGEMENT, subsidiary of an international bank seeks a

EUROPEAN SMALL CAP/GROWTH EQUITY FUND MANAGER

(Paris based) (M/F)

Within the Asset Management team, you will be in charge of the european small cap and growth stocks management, be an active member of the investment committee, participate in the overall investment process and specialize on a few specific European sectors.

Minimum of 4 years of experience in equity management with an emphasis on European small cap or growth investment concepts; ability to integrate within an evolutive environment; strong analytical skills; computer literate.

You will have a strong academic background completed by a *financial analysis degree and be fluent in English and any other* European language.

Please send letter + CV and photo under reference FT202201 to Flamingo, 22, rue de Chazelles, 75017 Paris France who will transmit.

UBS Brinson

STRATEGIST (EUROPEAN EQUITIES) - INDUSTRY ANALYST (UTILITIES)

GLOBAL ASSET MANAGEMENT

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Our client is a leading global investment management organisation with funds under management in excess of US$ 350 billion, employing over 1500 people in 15 financial centres worldwide. UBS Brinson, a division of UBS A.G., is seeking to strengthen its European Equity Research Group in London by employing a Strategist and an Industry Analyst.

EUROPEAN EQUITY STRATEGIST

THE ROLE

- To contribute to the European and global equity market allocation process and assist in the construction of model portfolios for various European countries.

THE REQUIREMENTS

- 3-5 years experience as a European Equity Analyst/Strategist.
- Ability to respond flexibly to varied challenges.
- Experience manipulating databases and strong skills in mathematics/computing.

INDUSTRY ANALYST - EUROPEAN UTILITIES

THE ROLE

- To produce European equity research on the utilities sector.

THE REQUIREMENTS

- 3-5 years experience, ideally in a utilities company and/or its affiliated regulatory agency.
- Ability to judge the critical variables affecting the Industry. Accurately model at the company level.
- Work in a team environment.

The successful candidates for both positions will be educated to degree level (2:i or better) and possess strong analytical, verbal and written communication skills. Both candidates will have a thorough understanding of economics and financial theory.

Both of these positions represent excellent opportunities for ambitious and self-motivated individuals. An attractive compensation package will be offered commensurate with experience.

UBS Brinson Limited is regulated by IMRO.

In the first instance, please send, fax or e-mail your curriculum vitae to Harry Chetwood at Richmond Selection, 15 St Helen's Place, Bishopsgate, London EC3A 6DE. Fax: 0171 628 5551 Tel: 0171 628 5550 E-mail: HC@richmond-co.demon.co.uk

RICHMOND selection

Managing Director – Pharm-Olam International (U.K.), Inc. has a unique opportunity for an individual to join a dynamic, fast-growing Contract Research Organization headquartered in Ascot, England. This ambitious individual will be responsible for the direction of the financial, business development and operations of the company. Strong leadership and interpersonal skills are required. Please fax resume to 001-713-932-6080 (U.S.A.).

ACCOUNTANCY APPOINTMENTS

NORTEL DASA

PROJECT FINANCE MANAGER

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Nortel Dasa is a joint venture established in April 1995 to consolidate the telecommunication activities of Nortel (Northern Telecom) and DaimlerChrysler Aerospace (Dasa) for the purpose of focusing on the German and East European Markets. They offer a comprehensive range of products and services for the development, creation and integration of digital networks.

Due to recent expansion and growth they now require an international individual to assist them in the initial set-up of a financial business unit for Eastern Europe. Reporting to the CFO you will be the financial focus for projects in these developing countries.

Your main responsibilities will include:

- preparation of commercial tenders including financing
- preparation of commercial calculations on projects, small P&L
- to lead negotiations on financing proposals
- setting up budgets, variance analysis and follow up
- cost calculation
- cash management
- to provide sound financial control on business activities to minimum group guidelines
- build a team of finance professionals
- financial and management reporting to both parent companies

As a university graduate you will have a degree in Business Economics with at least five years experience, preferably gained working in a finance role for a project oriented international company and/or with "The Big Five". Strong presentation, analytical and communication skills are essential, combined with the ability to be very critical and demonstrate leadership and entrepreneurial qualities for this high profile role. The business languages are English and German, but the successful applicant will ideally be fluent in one or more Eastern European languages. Candidates must be prepared to embark on extensive travel (up to 50%).

If you are interested in this opportunity, please contact Drs. Ludo G.M.M. Houben on +49 69 7076 7076, or alternatively send your Curriculum Vitae to the following address: Robert Walters Associates, Hamburger Allee 2-10, 60486 Frankfurt am Main, Germany. Fax: +49 69 7076 7075. E-mail: ludo.houben@robertwalters.com

Web: http://www.robertwalters.com

You may also apply via http://tapa.com/Robert_Walters quoting reference RW270.

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DIRECTOR FINANCIERO

Madrid, España

Hertz Corporation, líder mundial en la industria de servicios de transporte, désea contratar un Director Financiero de gran calibre para su filial española de rápido crecimiento. Dependiendo directamente del Director General en España, sus responsabilidades serán las siguientes:

- gestión de las funciones financieras y contables de la unidad de negocio en conformidad con US GAAP estandartes y requisitos regulatorios locales;
- preparar, analizar e interpretar aspectos financieros para uso de la dirección en el proceso de toma de decisiones y evaluar resultados comparativamente con los objetivos de la compañía y de la filial en España. Analizar y conducir un exhaustivo control de costes;
- establecer y mantener un plan financiero integrado consistente con los objectivos y metas de la compañía, tanto a corto como a largo plazo, analizándolo y revisándolo cuando sea requerido e informando a todos los niveles de dirección;
- desarrollar y revisar controles internos que sirvan como guía y soporte a otros miembros de la dirección asegurando así el cumplimiento de la política de la compañía;
- supervisar las funciones de impuestos tesorería, compras e informática, mantener buenas relaciones con auditores internos y externos, y desarrollar sistemas y procedimientos en conformidad con la política de la compañía.

El candidato ideal poseerá el título de "Qualified Accountant" valorándose también un MBA en Finanzas. Idealmente el candidato habría adquirido experiencia en una multinacional americana y habría desempeñado las funciones de "Controller" o de Director Financiero.

Debido a que el puesto es de un gran perfil comercial, el candidato demonstrará un alto grado de conocimiento técnico y especial habilidad en los negocios así como buen conocimiento de la función informática.

En conexión con el gran reto que supone una posición tan ambiciosa, el individuo deberá ser emprendedor con una alta capacidad de comunicación, excelente gestión del día a día, así como la habilidad de contribuir significativamente a nivel estratégico en el desarrollo y ventabilidad de la compañía. El candidato elegido tendrá que demostrar la capacidad de trabajar y contribuir positivamente al equipo local, así como desarrollar una buena relación con la oficina central europea. Fluidez en inglés y español es esencial.

En primera instancia, por favor contactar, en total confidencia, con Renato Raho o Mark Rowley en el +44 171 629 1223, señalando la referencia HAR0241. Alternativamente, por favor enviar curriculum en inglés, incluyendo actual remuneración a HW International, 30 St. George Street, London W1R 9FA, UK. Fax: +44 171 409 7072. E-mail: renato@herst.co.uk www.herst.co.uk

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Two key senior finance roles

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Marks and Spencer Financial Services is a dynamic financial services provider offering customers a wide range of credit, life, pensions, savings and investment products. The company was established in 1985 as an autonomous business within Marks and Spencer plc and is now an authorised bank with market capitalisation in excess of £1 billion and over 1400 staff at purpose built headquarters in Chester. A compound growth rate in profits exceeding 25% over the last five years has positioned the company as a significant player in the financial services sector.

The company has recently agreed an exciting business expansion and profit growth strategy. It recognises the vital role that finance can play in future success and is looking to expand the senior finance team.

Financial Controller

Role

- Manage and further develop a financial reporting service which provides a wide range of business critical information
- Maintain and develop financial controls that meet the needs of the business and satisfy all regulatory and legal requirements
- Reporting to the Head of Finance, identify and implement improvements to the effectiveness and efficiency of the financial control service
- Manage a strong team of support staff, including qualified accountants, on a track of continual improvement and individual advancement

Candidate

- Professionally qualified accountant with at least 5 years PQE
- Experienced in managing and developing finance staff at all levels
- Strong technical skills including year end reporting for larger companies within a financial services environment
- May currently be working at manager level in the profession with clients in financial services

Reference 67835

Financial Planning & Analysis Manager

Role

- Provide proactive financial evaluation input into the commercial analysis of all major business decisions within the company
- Reporting to the Head of Finance, manage a team of people, including qualified staff, to support tactical and strategic planning in management teams across the company
- Supply a range of appropriate financial information to inform and assist forecasting and business planning
- Champion business process improvement initiatives across the company and use analytical and modelling techniques to challenge practices and processes

Candidate

- Strong financial management background, probably a qualified accountant but possibly an actuary or relevant MBA graduate
- At least 5 years PQE with recent experience in the financial services sector
- Hands on experience in the evaluation of commercial decisions and able to present written and verbal arguments at all levels
- Able to support and manage staff and provide clear leadership

Reference 67836

Both these positions offer exceptional career development opportunities and are rewarded with a comprehensive range of benefits, including full relocation package and company car.

Please write in confidence, with full career and salary details, quoting the appropriate reference, to: Rod Shaw or Mark Glaze, MSL Search and Selection, Clinton House, Clinton Terrace, Derby Road, Nottingham, NG7 1LY. Tel: 0115 9859234. Fax: 0115 9411700 or apply on line via The Monster Board www.monster.co.uk

MSL
SEARCH AND SELECTION

AUDIT & CONSULTING SERVICES PROFESSIONAL
Geneva

The EFG Bank European Financial Group is a Swiss based International Financial Group. The Banks, which comprise the EFG Bank Group focus mainly on Private Banking and Asset Management, and in Greece on Retail and Corporate Banking and related financial services. The Group has grown recently through the acquisition and investment in banking institutions.

EFG Audit & Consulting Services SA (ACS) is the Group Internal Audit function headquartered in Geneva, Switzerland.

Using a modern methodology and approach to review the Group's activities, we are building an international team of professionals. With the necessary attitude, creativity and drive, they will make a positive and constructive contribution to the evolution of the business and in particular to the control environment within management and business processes.

We are currently looking for professionals to strengthen our international team in Geneva.

Candidates will either be a qualified accountant or banking or financial services industry specialist with management, consulting or audit experience.

Candidates will have the maturity and self-confidence to maintain a constructive and sensitive dialogue with members of Senior Management, and possess the necessary drive towards the identification and selling of solutions.

To maintain an integrated and global view of business, international assignments and engagement in interdisciplinary teams are encouraged. Multicultural skills and a multidimensional experience will characterise valuable team members of the international ACS organisation.

In return for your commitment, we will offer you a competitive remuneration, plus an ideal environment for personal development.

To apply, please forward a covering letter and CV to:
Peter F. Kaelin, Managing Director,
EFG Audit & Consulting Services SA, 94, Rue du Rhône, 1211 Geneva 3, Switzerland

EFG Audit & Consulting Services

■ THE COMPANY : World leader in connectivity software, with a strong growth strategy in Europe. We are seeking :

European Finance Manager

350 KFF +

■ THE POSITION : Based at the European Headquarters in Paris, your role is to provide financial support to corporate management. Responsible for revenue reporting for Europe, Middle East and Africa, you will also lead the coordination of the budget process. You will manage the reporting IT system and contribute significantly to the implementation of a new IT data and reporting base. You will supervise the reporting of the headcount and the implementation of the annual commission plans. A financial analyst will assist you in the achievement of these objectives.

■ THE CANDIDATE : Should possess a business degree, completed by an accounting qualification (ACA, ACCA, CIMA, CPA) and at least 5 years experience gained within a similar position in industry or as an auditor within an international firm. You will have developed strong management accounting and reporting skills and an excellent understanding of international accounting methods (including US GAAP). Your first language is ideally English, and your are also fluent in second European language.

■ Please reply to Mathieu BEAURIN, quoting reference 4717/MB, at ROBERT HALF FRANCE, FINANCE, 15, rue Marsollier 75002 Paris or by fax at 00 33 1 55 04 18 19 or by e-mail "robert@half.mgn.fr". Please consult our Internet service http://www.roberthalf.com

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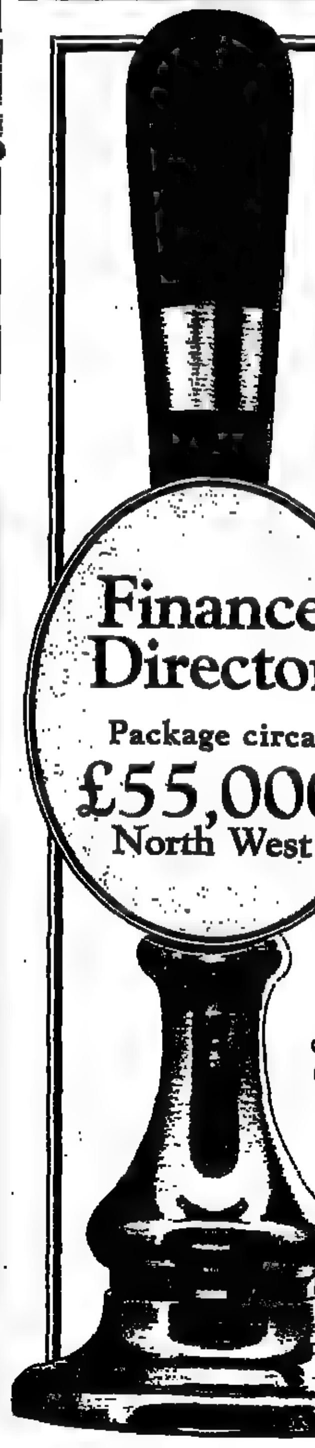

OUR client is an exciting and successful £30m turnover company operating public houses and regional distribution depots to the licensed trade.

The Management Team, who own the equity, started the business in 1979 and are committed to increasing growth and profitability of the company. The team seek a like minded commercially orientated hands on financial professional to drive forward finance, administration and I.T. within the organisation.

If challenge and opportunity appeal to you and you can make a difference please send your CV with current salary details to:

Martin Hanratty
Executive Division
Michael Page Finance
Clarendon House, 81 Mosley St., Manchester M2 3LQ.
Fax: 0161 236 8059
e-mail: martinhanratty@michaelpage.com

Finance & Planning Managers

ZURICH
FINANCIAL SERVICES

Zurich Financial Services is one of the global leaders in the financial services industry, reaching over 30 million customers and employing more than 68,000 people worldwide. The UKISA Region of Zurich Financial Services comprises the Group's operations in the UK, Ireland and South Africa, encompassing some of the UK's leading financial services brands including Allied Dunbar, Eagle Star, Threadneedle and Zurich.

London

to £65,000 cash package + Benefits

Within the Region's central finance team, two new Manager positions have been created in planning and business development. The roles are central to future strategic growth and successful candidates will require drive and initiative, together with an ability to apply financial and planning skills in a dynamic and commercial environment. Working as part of a core team, the roles will be wide and varied spanning most of the areas of responsibility of the regional team. In particular, the key elements will be as follows:

- Setting financial objectives and principles for the Region.
- Co-ordination and consolidation of quarterly financial forecasts and the annual financial business plan.
- Reviewing and reporting on the performance against the business plan.
- Developing investor relations information and liaising with Rating Agencies.
- Assessing potential acquisitions and joint ventures.
- Assisting with the development of the Region's strategic plan.
- Liaison with the regional businesses' finance teams, and the worldwide headquarters in Zurich.

Candidates will be highly motivated with strong technical, communication and presentation skills and with experience of working in a team oriented environment. They are likely to be accountants or actuaries. They will be problem seeking and solving and able to deliver under pressure. Whilst not essential, experience of financial services (in particular general or life insurance) will be an advantage.

Interested candidates should write to Sarah Hunt, quoting reference 481738, Michael Page City, 50 Cannon Street, London EC4N 6JJ. Telephone 0171 269 1846, fax 0171 329 3426, e-mail: sarahhunt@michaelpage.com

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PRODUCT CONTROLLERS
London/Tokyo

Barclay Capital is the Investment Banking division of Barclays PLC, one of the largest multinational financial services groups in the world. Barclays Capital is a major international investment bank with distribution capability and representation in all major financial markets, delivered through regional headquarters in London, Tokyo, New York and Hong Kong.

The firm's activities are focused on two principal asset classes, credit and rates. Credit embraces the origination, structuring, sales, trading and research of loans, securitised assets, bonds and related derivatives. Rates includes sales, trading and research in respect of government bonds, money markets, foreign exchange, commodities and related derivatives instruments.

As a result of ongoing expansion the firm wishes to appoint a number of high calibre experienced product controllers to augment established control functions in London and Tokyo.

Barclays Capital is committed to recruiting candidates of the highest calibre and in return offers a meritocratic career structure, ongoing technical training and competitive remuneration packages.

Product Controllers - London

Opportunities exist at various levels within teams supporting the Asset Swaps, Interest Rate Swaps & Options, Credit Trading, Foreign Exchange, Equity Derivatives and Currency Options businesses. Principally these roles encompass the following tasks:

- Price testing
- Production of daily P&L and analyses for traders including commentary on movements
- Assisting trading desk in resolution of control issues.
- Reconciliation of balance sheet integrity
- Management of P&L and market related issues
- Ad hoc projects as required

Suitable candidates will ideally be qualified accountants possessing two to five years related product experience and will be educated to degree level. Additionally candidates must demonstrate the ability to work effectively in a sophisticated control and systematic environment.

Product controllers at Barclays are encouraged to take a proactive role in the management of trading and sales activity and therefore these roles will appeal to credible and proactive accountants who aim to integrate with, and add value to, the front office functions which they support.

Head of Product Control - Tokyo

This is a highly visible and diverse role that will suit a proactive and independent individual who can demonstrate an in-depth knowledge of derivatives as well as a knowledge of a comprehensive range of products including Foreign Exchange, Fixed Income, Equities and Securities.

Relevant applicants are likely to be qualified accountants (CPA, ACA, ACCA) with a minimum of five years experience gained within a product control environment, coupled with knowledge of regulatory and balance sheet management issues. Reporting to the Global Head of Product Control (London based) and the regional Chief Operating Officer (Hong Kong based) the incumbent will inherit an established controllers function. Proven staff management and senior level liaison abilities are essential.

Although advantageous, previous work experience in Tokyo is not essential.

Interested applicants are invited to contact our retained advisors, Jonathan Astbury or Beverley Barnes, telephone + 44 171 930 1222, facsimile + 44 171 930 1444, or email jonathan.astbury@astburymarsden.co.uk. Alternatively write with cv and current salary details to: Astbury Marsden Search & Selection, 40 Strand, London, WC2N 5HZ, England. All enquiries will be treated in confidence.
Closing date for applications is Wednesday 3rd February 1999.

BARCLAYS CAPITAL

FINANCE DIRECTOR

Our client is a multi-product supplier to the Automotive industry, part of a German group with ultimate ownership by a quoted US conglomerate. Turnover circa £20m.

The Position

Reporting to the UK Managing Director and the German Group Finance Director, a candidate is sought to take control of an existing and accurate accounts department and will be capable of managing tight reporting deadlines.

The responsibilities cover the normal accounting functions including forecasting and relationship building with suppliers and clients.

The Candidate

A qualified Accountant from a manufacturing background with at least 5 years reporting and 2 years Board experience.

A German speaker, having had exposure to overseas controls, knowledge of SAP and a proven track record in Change Management will be at a positive advantage.

This is a position for an individual with high level interpersonal and communication skills driven by success.

This is an excellent career opportunity for the successful candidate to progress within the business.

Please send full CV, current remuneration level and daytime telephone number, in confidence to: Mr. Howard Smith, quoting ref. FT211

Fitzroy Associates Ltd.
100 Marylebone Road, London, NW1 5PX

SOCIETE EUROPEENNE DES SATELLITES

Being one of the largest and most dynamic satellite operators in the world Société Européenne des Satellites (SES) owns and operates the ASTRA Satellite System, which broadcasts television and radio channels throughout Europe. Today, eight satellites are in orbit.

In the framework of its geographic and product expansion, SES has an immediate opening for a motivated:

FINANCIAL ANALYST (m/f)

Reporting to the Company's Controller the main responsibility of the Financial Analyst will be to provide financial analysis input to critical company projects, to support the controlling function by expanding the compliance review role and to contribute to the Company's budgeting, financial planning and reporting processes.

To meet the requirements of the position, candidates should meet the following criteria:

- be a qualified Chartered (ACA) or Management Accountant (ACMA) or equivalent;
- have experience in an audit role supplemented by finance operational skills gained preferably within a multinational group;
- be fluent in English; German and/or French language skills being of additional advantage;
- demonstrate initiative and good business acumen;
- possess strong communication and analytical skills along with the ability to integrate into an international team environment.

If you are interested, please send your handwritten application and your CV typed in English together with a photograph before 15 February 1999 to:

Société Européenne des Satellites
Human Resources Office
(Ref.FT/FinAna/01/99)
L-6815 Château de Betzdorf
Grand-Duchy of Luxembourg
http://www.astra.lu

ASTRA THE SATELLITE SYSTEM

SOCIETE EUROPEENNE DES SATELLITES

Being one of the largest and most dynamic satellite operators in the world Société Européenne des Satellites (SES) owns and operates the ASTRA Satellite System, which broadcasts television and radio channels throughout Europe. Today, eight satellites are in orbit.

In the framework of its expansion, SES has an immediate opening for a motivated:

TREASURY ANALYST (m/f)

Providing support to the Treasurer the main tasks of the Treasury Analyst will be to administer the sales contract billing system, to assist in cash planning, FX and debt management, to perform Treasury analyses and to provide monthly management reporting.

To meet the requirements of the position, candidates should meet the following criteria:

- have an university degree in applied economics/finance;
- have at least 3 years working experience in a financial, banking or accounting environment;
- be fluent in English; German and/or French language skills being of additional advantage;
- be computer literate and posess skills in Word, Excel/Lotus123;
- demonstrate strong communication skills along with the ability and willingness to integrate into an international team environment.

If you are interested, please send your handwritten application and your CV typed in English together with a photograph before 15 February 1999 to:

Société Européenne des Satellites
Human Resources Office
(Ref.FT/TreAna/01/99)
L-6815 Château de Betzdorf
Grand-Duchy of Luxembourg
http://www.astra.lu

ASTRA THE SATELLITE SYSTEM

SITA

INTERNATIONAL TAX MANAGER

GENEVA BASE — SF ATTRACTIVE

SITA operates the world's largest communications network to over 225 countries and territories, serving 900+ locations. With over 70,000 customer connections, 5,000 staff worldwide and $1bn in revenues, SITA provides a one stop shop for all mission-critical business to business communications and information needs.

The Geneva based tax team is seeking to recruit a further qualified (c. 5 years) tax specialist who has a strong track record in practice and/or commerce/industry.

The role is 100% international consultancy and will involve some world travel. This is a position for someone intelligent and creative who seeks a deal of practical autonomy in initiating and running projects across direct and indirect taxes. Computer literacy and a second language in addition to English is an advantage.

Be at the leading edge in one of Europe's most attractive locations.

Please send a full CV for the attention of Mike Beament, Sheila Mandal or Matt Anderson at BLT or you may fax it to +44 (0) 171-405-3310 or e-mail it to team@blt.co.uk. Any direct applications will be forwarded to BLT.

Further information about SITA is available on the internet - http://www.sita.int

+44 (0) 171 405 3404

BLT
Beament
Leslie
Thomas
Recruitment
Consultancy
Limited

Quality House
5/9 Quality Court
Chancery Lane
London WC2A 1HP
F: +44 (0)171 405 3310
E: team@blt.co.uk
W: http://www.blt.co.uk

Business planning manager

Sophia-Antipolis
350 000 French Francs

Allergan Inc. is a technology-driven, global healthcare company providing eye care and specialty pharmaceutical

Working within the Distributor Management business unit and covering Europe, Africa and the Middle East, you will be responsible for providing financial and business support to the general management of the division as well as to a network of some 60 local distributors and agents. This includes strategic planning, budgets, reporting and financial analysis, with a particular emphasis on projects for improving business efficiency in a dynamic and rapidly changing work environment.

You should be a university or business school graduate, with at least five years experience in an operational management accounting/planning function. A solid accounting background and good IT systems knowledge are essential. You must also speak fluent French and English. The position will involve some 20% travel.

Please contact our recruitment advisor Ivor ALEX in Monaco on (377) 93.10.54.50 or send him a detailed application quoting reference 501/IA : NORMAN ALEX, 28 boulevard Princesse-Charlotte, 98000 MONACO.

ALLERGAN FRANCE

Style Challenge

Our client is a niche fashion designer, importer and retailer. They are embarking upon a fresh period of expansion of their £40m plus turnover business. As part of their plans, they now seek two key professionals to play major roles within the Group's London office.

Financial & Commercial Director
C£60k + car + bonus + benefits

The design and import company is a successful business with a client list that includes many of the UK's most prominent retailers. With ambitious expansion plans, it needs a highly commercial individual to help lead the business through a new phase of growth.

You will be focused on improving customer service levels, contributing to strategic planning and actively participating in the commercial decision making and management of the business. You will also supervise the financial and operational functions of the company.

We seek an experienced individual with drive, ambition and proven management skills. Equally essential will be proof of your contribution to the commercial success of a business. In return, we offer unlimited opportunities.

Financial Controller
To £45K + car + bonus + benefits

The retail arm of the Group has undergone 18 months of dynamic growth. To sustain this and support future expansion it demands its own Financial Controller.

Reporting to the MD, you will fully exploit the management and financial reporting capabilities of the newly installed Sun Accounts and EPoS systems. Providing commercially focused analysis of business performance at board level, you will play a key part in realising the growth plans of this exciting brand.

You will be a qualified accountant with a minimum of 2 years' retail experience. Your enthusiasm and desire to contribute to the building of the brand will be as important as your reporting and analytical skills.

In the first instance, please forward your CV with covering letter to Richard Williams at Robert Half International, Walter House, 418 The Strand, London WC2R OPT. Tel: 0171 395 9600. Fax: 0171 836 4942. E-mail: westend@roberthalf.co.uk

ROBERT HALF®
A Division of Robert Half International
London • Brussels • Paris • Amsterdam
New York and over 200 offices worldwide

Speculate and accumulate.
Accountancy Appointments
For more information please call:
Tel: +44 171 873 3351
Fax: +44 171 873 4331

Divisional Finance Director
Distribution Sector

N. Home Counties — **c.£60,000 + Substantial Bonus**

Part of a young, fast growing plc, this new £30 million turnover division is focused on an ambitious expansion strategy that will double revenue within three years.

The business is headed up by a high profile Chief Executive who has a proven track record within the sector. He requires an ambitious, commercially oriented Finance Director to oversee operating company performance.

Key tasks will include:

- establishing a disciplined reporting and control environment through a systems implementation programme which complies with group reporting requirements;
- applying strong commercial acumen to effectively manage and develop a rapidly growing business;
- ensuring that decision support systems enable controlled and profitable expansion.

Candidates will already have a senior management track record within a multi-site service business and preferably experience of managing high growth situations. This demanding role requires a hands-on, task oriented style and an individual with the self-confidence and communication skills to effectively challenge at a senior level. Career prospects within this successful and fast expanding group are outstanding.

Please send a full CV in confidence to GKR at the address below, quoting reference number 990J on both letter and envelope, and including details of current remuneration.

GKR
Queensberry House, 3 Old Burlington Street, London W1X 1LA.
Tel: 0171 534 0092. Fax: 0171 534 0001.
E-mail: joconley@gkrgroup.com

Net.Works
The FT IT Recruitment section is also available all week on www.FT.com

IT Appointments

هكذا من الاصل

IT Appointments

Coutts (Jersey)
Prouet, Heller George

Cumberland Building Society
Beecroft, Elizabeth Anne

Cyprus Popular Bank
Neophytou-Hadjipavlou, Neophyta

DePfa Bank
Ross, Kerstin

Deutsche Morgan Grenfell (CI)
Spence, Tracy Ann

First Direct
Glenn, Rebecca Mary

HSBC
Emmett, James Alasdair d
Sabri, Lyndsay

HSBC Holdings
Downer, Laura Jane

HSBC Investment Bank
Hayes, Kathleen

Halifax
Nottingham, Lisa Diane
Payne, Michael
Woo Clark, Josephine Y E u

Hongkong & Shanghai Banking Corporation
Tsang Sau Chu

Hellenic Bank
Gregoriou, Eleni

Ipswich Building Society
Nettlingham, Richard John

Kleinwort Benson (Jersey)
Katt, Judith Mary

Kwangtung Provincial Bank
Suen Sheung Yee, Bonnie

Lloyds Bank
Ball, Catherine
Beaver, Stuart James
Carmont, Annabel
Dickes, Paul Eric g
Lally, Harjinder Singh
Osarumwense, Stella-Maris Orobosa

Magyar Kulkereskedelmi Bank
Hadi, Laszlone Julia

Mid-Med Bank
Micallef, Annette

Midland Bank
Bishop, Patricia Joan
Booth, Alister
Bridgeman, Jonathan
Briggs, Philip Anthony
Clayton, Mark Edward John x
Cullen, Alison Jane
Cummins, Ciaran James
Cunningham, John Stewart Rennie
Davies, Huw Arwel
Gilbertson, Anthony Charles
Harvey, Justine Elizabeth
Haslam, Richard Ian Michael
Hatton, Leslee Jayne f
Hill, Andrew James
Khalid, Naomi
Mason, Sarah Jane c
Mowle, Jason Charles Dominic
North, Stephen Mark
Owens, Elen Rhiannon x
Parkin, Margaret Lilian f
Peters, Jon Michael ac
Read, Christopher
Sanderson, Kevin James
Tan, Pamela May Yeh
Tanner, Kirsty Jane c
Thackray, Jennifer
Trist, Natalie Elizabeth
Vascow, Darren
Waterhouse, Edward David

National Bank of Greece (Cyprus)
Michael, Ioannis

National Bank of Umm Al-Qaiwain
Nirmalaraj, Sivagnanam Anton

National Westminster Bank
Bardett, Robert Ian
Cameron, Fiona Jane
Evans, Barry John
Hammond, Peter William
Johal, Hardip a
Jolly, Mark Andrew
Mayo, Robin Craig
Parry, Alastair Neil
Warren, Roger Brian

Nationwide Building Society
Tan, Caroline Jane

Royal Bank of Scotland
Cracknell, Nicholas John
Green, Philip Thomas
Stubbs, Andrew Charles
Torrance, Beverley Joanne
Turner, Mark Jason
Walker, Grant Andrew

Skipton Building Society
Dunkley, Gayle Alison

TSB Bank
Ashley, Diana Annamaria

Yorkshire Bank
Abrahamson, Peter James
Stansfield, Elizabeth Anne

Yorkshire Building Society
Whiddon, Catherine Denise

Zimbabwe Banking Corporation
Dhlakamah, Togarmah

Others
Banks, Denise Jane
Barnes, Helen Elizabeth
Lai Min Suie Lan, Vanessa
Ogunlana, Julius Bamidele

ASSOCIATESHIP - TOP CANDIDATES

(Associateship completions only, not including dual award ACIB/BSc)

Order of Merit — Distinctions

1 Koshis, Constantinos, Private Address g
2 Geer, Dominic Charles Edward, Barclays Bank
3 Chikuba, Matongo Nchimunya, Private Address
Tsang Sau Chu, Hongkong & Shanghai Banking Corporation
5 Koulapis, George, Hellenic Bank
6 Chafilwa, Clement Kabungo, National Westminster Bank
7 Alutwela, Eshantha Andrew Cecil, British Bank of the Middle East
8 Falzon, Michael, Bank of Valletta
9 Waka, Sonaaika, Bank of Tokyo-Mitsubishi
10 Abdul Kadir, Mahaboob, Commercial Bank of Dubai
Antoniou, Melia, Hellenic Bank
12 Chircop, Bernadette, Mid-Med Bank
13 Wong Chi Ho, Raymond, Private Address
14 Ah-Ching, Cheong Shaow Woo, Private Address
Pereira, Cletus, Private Address
16 Laising, Rajeev Jeetendra, Mauritius Commercial Bank
17 Ghigo, John, Lohombus Bank z
Kaplanis, Antis Nicou, Bank of Cyprus c
19 Alam-Adjei, Caroline Olivia, Ecobank Ghana
20 Leung Hon Wing, Private Address
Ndong, John Osseh Samuel, Private Address
22 Ropert, Andrew Philip, Societe Generale
Tan Swee Im, Private Address
24 Abdulla, Tarek Faleh, Yusuf Bin Ahmed Kanoo
25 Wong Mei Keung, Dresdner Kleinwort Benson
26 Oke, Olakunle Nathan, Private Address
27 Chisembe, Simon, Zambia National Commercial Bank
Roka, Medson Rodrick, Indefund
29 Micallef, Alan Charles, Bank of Valletta
30 Galea, Silvio John, Central Bank of Malta
31 Aristodemou, Christakis, Hellenic Bank
32 Fernando, Shiyan Emmanuel, ANZ Grindlays Bank
33 Chmiah, Purnima, Private Address
34 Awasthi, Kanchan Mala, Vijaya Bank
Bhoyrub, Navind, Development Bank of Mauritius
Mautadin, Mohunparsadsingh, Barclays Bank
Sullivan, David, MeesPierson
38 Azinis, George, Bank of Cyprus
39 Rene, Serge, Banque Internationale des Mascareignes
40 Artemiou, Andreas, Bank of Cyprus
Aumeer, Mahmad Salim, Mauritius Commercial Bank
42 Camilleri, Alan, Valletta Investment Bank
Bartoli, Bernard, Mid-Med Bank
44 Borg, Carmel, Mid-Med Bank
Kyriacou, Skevi, Hellenic Bank
Wijeratne, Warusahennedige Iromi Geethang, Private Address
47 Ayisi, Mary, Barclays Bank
Ganesan A/L Sundram, United Asian Bank
Loucas, Iacovos Andreas, Cyprus Popular Bank
Rosier, Jacqueline Mary, Nationwide Building Society
Sikkis, Zacharias, Cooperative Credit Society Aradhippou

ASSOCIATESHIP

110 candidates who completed in October 1998
Distinction in
c = Financial Reporting, Analysis and Planning
d = Management and Organisation
g = Branch Banking - Law & Practice
z = Trust Taxation

ANZ Grindlays Bank
D'Mello, Elroy Francis
Fernando, Shiyan Emmanuel

Bahamas Institute of Bankers
Rolle, JacquelineSimmons, Dirk g

Bank of Commerce
Ganesan A/L Sundram

Bank of Cyprus
Artemiou, Andreas
Azinis, George
Demetriadou, Alkista
Kaplanis, Antis Nicou c

Bank of Tokyo-Mitsubishi
Waka, Sonaaika

Bank of Valletta
Falzon, Michael z
Micallef, Alan Charles
Spiteri Swain, Patrick

Bank of Zambia
Muwowo, Nakwabo Priscah

Banque Bruxelles Lambert
Ow Chee Wa, Daniel f

Banque Internationale des Mascareignes
Rene, Serge c

Barclays Bank
Ayisi, Mary x
Duncan, Stephen Allyson f
Geer, Dominic Charles Edward ac
Mautadin, Mohunparsadsingh
Odle, Monica Yvonne

British Bank of the Middle East c
Alutwela, Eshantha Andrew Cecil

Central Bank of Malta
Galea, Silvio John

Central Bank of the Gambia
Jammeh, Mraye
Sarr, Pa Momodou

Chase Manhattan Asia
Fung Wai Kan, Eva

Commercial Bank of Dubai
Abdul Kadir, Mahaboob

Commercial Bank of Malawi
Thupa, Rosalyn a

Cooperative Credit Society Aradhippou
Sikkis, Zacharias

Cyprus Popular Bank
Loucas, Iacovos Andreas

Dao Heng Bank
Law Wai Leung

Development Bank of Mauritius c
Bhoyrub, Navind

Dresdner Kleinwort Benson
Wong Mei Keung

Ecobank Ghana
Alam-Adjei, Caroline Olivia c

Finance Bank Zambia
Melu, Enid Kabinda

Generale Bank
Chan Chi Leung

Hang Seng Bank
Lin Yik Kwong

Hellenic Bank
Antoniou, Melia
Aristodemou, Christakis
Hadjicharalambous, Harris Christou
Koulapis, George
Kyriacou, Skevi

Hongkong & Shanghai Banking Corporation c
Tsang Sau Chu

HSBC Group
Emmerson, Mark

Indefund
Roka, Medson Rodrick

Internationale Nederlanden Bank
Lung Ka Sang, Victor

Jamaica Institute of Bankers
Barr, Janice Colleen L
Brown, Karen Mynne
Ferguson, Dennis Anthony
Hosang-Francis, Lavern M
Slowley, Heather Joy g

Kenya Institute of Bankers
Ali, Rahema
Chege, Teresa Nduta
Cheptoo, Caroline J
Chesang, Carolyne Jepkorir
Chirchir, David Kiplagat
Ethangatta, Hellen Gakii
Gavuna, Philip Alwodi
Jumwa, Gaspar Kiflio
Kaiya, Edgar K
Karau, Charity Nyambura
Kamau, Mathew
Lasoi, Samuel Kipsigei
Machoka, Peninah
Maina, Esther Muthoni
Maina, Peter Munyiri
Mugi, Jane Wanjiru
Muriuki, Richard Njoroge d
Mumo, Anthony Ndeti
Musau, Frances Nzau
Mwai, Paul Wachira
Mwangi, Gordon Weru
Njiru, Carolinda
Nyamwaya, Caroline Akinyi
Owala, Stephen Otieno
Toroitch, K Maurice
Wamai, Constant Njeri

Kincheng-Tokyo Finance Company
Lo Wai Man, Esther
Kwong On Bank
So King Yin

Lloyds Bank
Peri, Jeremy Richard

Lohombus Bank
Ghigo, John z

Lombard Natwest Bank
Ioannou, Yiannos

Mauritius Commercial Bank
Aumeer, Mahmad Salim
Laising, Rajeev Jeetendra

MeesPierson
Sullivan, David

Mid-Med Bank
Bartoli, Bernard
Borg, Carmel
Chircop, Bernadette

Midland Bank
Robertshaw, David Andrew
Scholes, Heather Alexandra

National Westminster Bank
Chafilwa, Clement Kabungo

Nationwide Building Society
Rosier, Jacqueline Mary

Oversea - Chinese Banking Corporation
Wu Kung Mo

Republic Bank
Fleming, Donna Anita
Lutchman, Seeta

Societe Generale
Ropert, Andrew Philip

Valletta Investment Bank
Alan Camilleri

Vijaya Bank
Awasthi, Kanchan Mala
Yusuf Bin Ahmed Kanoo
Abdulla, Tarek Faleh

Zambia National Commercial Bank
Chisembe, Simon

Others
Ah-Ching, Cheong Shaow Woo
Chikuba, Matongo Nchimunya
Chmiah, Purnima
Koshis, Constantinos g
Leung Hon Wing, Edwin
Ndong, John Osseh Samuel
Oke, Olakunle Nathan
Pereira, Cletus
Tan Swee Im
Wijeratne, Warusahennedige Iromi Geethangi Soysa
Wong Chi Ho, Raymond

BANKING CERTIFICATE

An internationally respected qualification for people aiming at supervisory or junior management positions in all parts of the financial services industry. Gives a firm foundation of knowledge which will strengthen candidates' ability to undertake junior management tasks and assist decision-making.

BANKING CERTIFICATE - TOP CANDIDATES

Order of Merit — Distinctions

1 Swell, Andrew Charles, Loughborough Building Society EDF
2 Barker, Anna, National Westminster Bank EGH
3 Coombes, Naomi Louise, Hongkong & Shanghai Banking Corporation H
4 Blair, Jane, Progressive Building Society
5 Mckee, Rosalie Catherine, Halifax E
6 McGrath, Darlene Anna Margaret, Private Address
7 Sulley, Owen, Chase Manhattan Bank
8 Buck, Richard Neil, Midland Bank
Constantinou, Elena, Bank of Cyprus
10 Cooke, Tracey Ann, Lloyds Bank
Hamilton, Sophia Veronica, Barclays Bank
Newstead, Aaron Matthew, Midland Bank E
Perera, Keppetiya Kakanamage Sunith Nurendra, National Bank of Umm Al-Qaiwain E
14 Leece, Gillian Fay, NatWest Offshore E
15 Venizelou, Georgia, Bank of Cyprus E
16 Correa-Dalli, Daphne, National Westminster Bank
17 Peel, Joanne Rebecca, Co-Operative Bank
18 Vassiliadou, Angela, Cyprus Popular Bank E
19 Tsaousi, Ifigenia, Cyprus Popular Bank E
20 Nicolaou, Maria, Limassol Co-Operative Savings Bank

BANKING CERTIFICATE

88 candidates who completed in October 1998
Distinction in
D = Economics and the Banks' Role in the Economy
E = Introduction to Accounting
F = Banking: The Legal Environment
G = Supervisory Skills
H = Banking Operations - UK Lending & Int'l Business

Allied Irish Bank (GB)
Batchelor, Sharon Marie

Arab Bank
Herodotou, Manna

Bank of Cyprus
Charalambous, Elena
Constantinou, Elena
Kyprianou, Georgia E
Kynacou, Efi
Kyms, Michalis
Paraskeva, Panayiota

Bank of Cyprus Factors
Demetriou, Despo

Bank of Scotland
Wileman, Gary

Barclays Bank
Beckles, Beverley Patricia
Hamilton, Sophia Veronica

Chase Manhattan Bank
Sully, Owen

Commercial Bank of Malawi
Chagoma, Macford Damson
Mande, Alfred Dulana

Citibank
Blair, Julie Ann E

Co-Operative Bank
Peel, Joanne Rebecca

Commercial Bank of Malawi
Chirwa, Kwame Lackson

Coutts & Co
Jones, Adrian Paul

Cyprus Popular Bank
Distra, Elena
Georgiou, Mahr
Kourtella, Elena
Tsaousi, Ifigenia E
Vassiliadou, Angela E

Eastern Caribbean Central Bank
Straun, Alex Eugene

Egyptian Bankers Institute
El-Amroussy, Hala Saad FE
Mohamed Mhmoud Hanafy, Khaled

Fuji Bank
Beirne, Patrick Edward

HSBC Holdings
Turnber, Justin
Wielgut, Carol Anne

HSBC Investment Bank
Parrett, Ashley Nigel
Pickersgill, Michael Robert

Halifax
Mckee, Rosalie Catherine E
Stapley, Sean Oliver
Stott, Melanie Louise

Hellenic Bank
Economou, Marcos Andrea E
Fisentzou, Androulla Soteris
Marathefti, Margarita

Hongkong & Shanghai Banking Corporation
Coombes, Naomi Louise H
Fourville, Marie Mylene Maita
Lee You Voon, Shirley Nyoon Chin

Indo Zambia Bank
Kazilimani, Francis

Intercollege
Zerti, Andreas S

K W P
Tirto, Tjahja Budhi

Kleinwort Benson (Jersey)
Evans, Paula Louise

Limassol Co-Operative Savings Bank
Nicolaou, Maria

Lloyds Bank
Abbott, Helen Clare
Anthony, Adrienne Ellenor
Barnatt, Victoria Louise
Brown, Ian Stuart
Cooke, Tracey Ann
Gibb, Scott James
Griffiths, Ken
McIlroy, Sandra Carol
Sherratt, Timothy Edward

Lloyds TSB Group
Smith, Andrew

Loughborough Building Society
Swell, Andrew Charles EDF

Mauritius Commercial Bank
Duval, Marie Vanissa Nathalie

Midland Bank
Buck, Richard Neil
Cusdin, Andrew John
Gudgeon, Suzanne Lynn
Hitchings, Tanya Martine
Holloway, Lee
Lang, Jonathan Graham
Lees, Christopher William
Newman, Rebecca Louise
Newstead, Aaron Matthew E
Prestidge, Ruth Margaret

National Bank of Umm Al-Qaiwain
Perera, Keppetiya Kakanamage Sunith Nurendra E

National Westminster Bank
Barker, Anna EGH
Correa-Dalli, Daphne

NatWest Offshore
Leece, Gillian Fay E

Progressive Building Society
Blair, Jane

Royal Bank of Scotland
Fern, Michelle Joanne
Longden, Michelle Louise
Morton, Sheila

Royal Bank of Scotland International (Guernsey)
Stubbert, Rona

Royal Bank of Scotland International (Isle of Man)
Wales, May Smith

Samuel Montagu & Co
Ball, Robert Edward
Societe Generale
Ratnayake, R Mudiyanselage Darshana Josap

Strovolos Co-Operative Credit Society
Nicolaou, Eric

University of Sri Jayawardanapura
Weerakoon, Eranda Wehanake E

West Bromwich Building Society
Sangha, Kamaldeep

Zambia Institute Of Bankers
Mufana, Victoria
Phiri, Patricia

Zimbabwe Banking Corporation
Mokife, Francois Tamusanxa

Others
Bhatti, Nimra Hanif
McGrath, Darlene Anne Margaret
Patel, Sophia

DIPLOMA IN MORTGAGE LENDING

This free-standing diploma has been developed in co-operation with the Council of Mortgage Lenders. It is designed to meet the needs of specialist staff working for building societies, banks and direct lenders, and, at the same time, to provide a pathway to the Associateship (ACIB) and the BSc (Hons) degree in Financial Services.

DIPLOMA IN MORTGAGE LENDING

21 candidiates who completed in October 1998

Barclays Bank
Harper, Judith Cherry, ACIB
Young, Gayle

Bradford & Bingley Building Society
Gornall, John, FCIB

Halifax
Phillips, Lesley Helen
Walmsley, Martin Keith, ACIB

Kensington Mortgage Company
England, Ian John

Lloyds Bank
Davies, Jean Melita, ACIB
Davies, Martyn Gareth, ACIB

Midland Bank
Bridson, Joanne Louise
Remmer, Lee, ACIB

Mortgage Trust
Howard, Katherine Beatrice

Nationwide Building Society
Biles, Denise
Hall, Louise
Jacobs, Miles Alexander
Jones, Paul David
McKirgan, Rodney
Rhodes, David Michael
Williams, Kathryn Elizabeth Maryse

Northern Rock
Davis, Michelle

Sawyers Estate Agents
Sawyer, Steven Anthony, ACIB

Wing Hang Bank
Chan Tung Pok, ACIB

PROFESSIONAL INVESTMENT CERTIFICATE

An advanced qualification, validated as being at first year undergraduate standard, which builds on the existing statutory examinations for financial advisers (i.e. CeFA, FPC, IAC). It is designed to meet the specialist needs of individuals giving financial advice to clients, providing a deeper and broader knowledge and understanding of the issues affecting financial advice. It is practical in nature, with an emphasis on improving an adviser's ability to use their expanded knowledge (through advising and explaining to clients, preparing recommendations, etc).

4 candidates who completed in October 1998

Bank of East Asia
Cho Pak Lun

Barclays Life Assurance Co
Cadenhead, Lawrence Neil
Taylor, Peter

Lloyds TSB Life Assurance Company
Mason, Richard

DIPLOMA IN TRUST & ESTATE PRACTICE

A free-standing Diploma developed in co-operation with the Society of Trust and Estate Practitioners (STEP), the professional body for the trust and estate profession in the UK and world-wide. It is an entry route to full membership of STEP and is designed to improve candidates' understanding and knowledge of issues related to trust and estate practice.

5 candidates who completed in October 1998

Canadian Imperial Bank of Commerce
Needham, Andrew David

Coutts (Guernsey)
Green, David Mills, ACIB

HSBC International Trustee
Lo Man Chuen, Benjamin
Loo, Yim Sheung Louisa

Others
Hargreaves, Peter Smith, FCIB

CERTIFICATE IN FINANCIAL SERVICES PRACTICE

A basic qualification which provides students with the essential financial services knowledge to serve their customers competently. Aimed at anyone whose job involves customer contact or customer care. The CFSP modules have also been designed to cover many of the knowledge and understanding requirements of the current Banking and Building Society NVQs, particularly at Level 2.

194 candidates who completed in October 1998

Anritsu Wiltron
Kannan, Theagarasa

Barclays Bank
Devine, Jennifer Ann

Barnsley Building Society
Brown, Michael David
Owen, Susan Clare

CIBC Bank and Trust Company (CI)
Baker, Nicola

Cambridge Building Society
Hudspith, Debbie
Rye, Steven Michael
Webb, Janet

Cheltenham & Gloucester
Calwell, Christine
Woods, Matthew James

Cumberland Building Society
Apps, Colin
Coulthard, Jenna Louise
Fawcett, Stephen
Hughes, Chris
McIlroy, Katrina

Demarara Bank
Lalbachan, Rahone

Derbyshire Building Society
Thorley, Lynsey Ann

First Direct
Tomlinson, James Benjamin

Furness Building Society
Heron, Susan Jane

Gambia Civil Aviation Authority
Jammeh, Momodou

Halifax
Bolton, Jamie-Ann Marie
Faheem, Mohammed
Knott, Andrea Marie
Payn, Michael Keith
Robins, Andrew Simon
Woodrup, Fiona Michelle

J Jesak Enterprises
Nwankwo, Samuel Chijioke

Lloyds Bank
Andrew, Helen Jane
Andrews, Sarah Catherine
Arnott, Trudy Jane
Ash, Susan Jane
Ashley, Adrian Keith
Baker, Christine Mary
Barnes, Susan Lindsay
Barnsley, Joanna
Bennett, Vikki
Berry, Sharon Lisa
Billett, Lyn Michelle
Birkby, Joanne
Bloor, Barry Edward
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Flanagan, Brian James Patrick
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Shepherd, Joanne
Skelton, Catherine Ann
Skinner, Judith Ann
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Jammeh, Yira
Jarra, Njilan
Mustafa, Sophia
Mutesasira, Hamuza
Njai, Ndey Fatou
Shah, Hina Mahendra
Tchakarova, Anna Kostadinova
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SUPPLEMENTARY PASS LIST - May 1998

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ALTERNATIVE ENERGY HYDROPOWER

World power in a barrel

A Russian scientist expelled from his homeland may have the solution to the planet's energy problems, writes **Victoria Griffith**

Alexander Gorlov looks improbably modest when he announces that he has solved the world's energy problems.

His invention – a turbine that can turn the water flow of the world's oceans and rivers into electricity – could make him a death target of the oil-rich Middle East, he speculates. "But I'm not afraid," he says calmly. "I defied the KGB and survived. Anyway, the oil barons would have had to kill me two years ago. The invention is done now; it's too late."

Mr Gorlov's experience with Russia's infamous intelligence agency in fact set in motion the series of events that led to the patenting of his invention last year. In 1971, he went to the summer house of his friend Alexander Solzhenitsyn to fetch a spare car part.

To his surprise, he found KGB agents searching the place. The KGB agents, to cover up their crime, accused Mr Gorlov of being a burglar. Solzhenitsyn used the incident to mount a worldwide public relations campaign against the KGB. When Mr Gorlov refused to spy on his friend, he was deported.

Mr Gorlov ended up in Boston as a professor of mechanical engineering at Northeastern University and began to pursue his dream of creating cheap, environmentally friendly hydropower. Before his expulsion, he had built a successful scientific career in Russia, and had helped design Egypt's Aswan dam.

Yet the great hydropower dams struck a negative chord for Mr Gorlov. He became concerned about their impact on the environment. Dams work by blocking the flow of water to create a powerful artificial waterfall. Propellers deep under the water driven by that energy convert it to electricity. But dams destroy migrating fish populations and flood large tracts of land as they interrupt the flow of huge rivers. The oil crisis of the 1970s also worried Mr Gorlov; he saw clearly that traditional energy reserves would some day be depleted.

Shortly after his arrival in the US, he started to badger the Department of Energy to fund his research on a turbine that would enable the creation of a more benign form of hydropower. After 15 years, it finally offered him a two-year grant in 1990. Mr Gorlov lost no time.

For years, he had been studying the "Darrieus turbine", invented by Georges Darrieus, a French engineer, in 1931. The turbine, designed in the first instance to be wind-powered, was one of the first attempts to harness free water flows for power.

In contrast to wheel-type turbines, common at the time, Darrieus came up with a barrel-shaped device fitted with airfoil blades. The design was ingenious. In effect, says Mr Gorlov, it set aeroplane engineering on its head, turning energy inward for power-generation, rather than outward for flight.

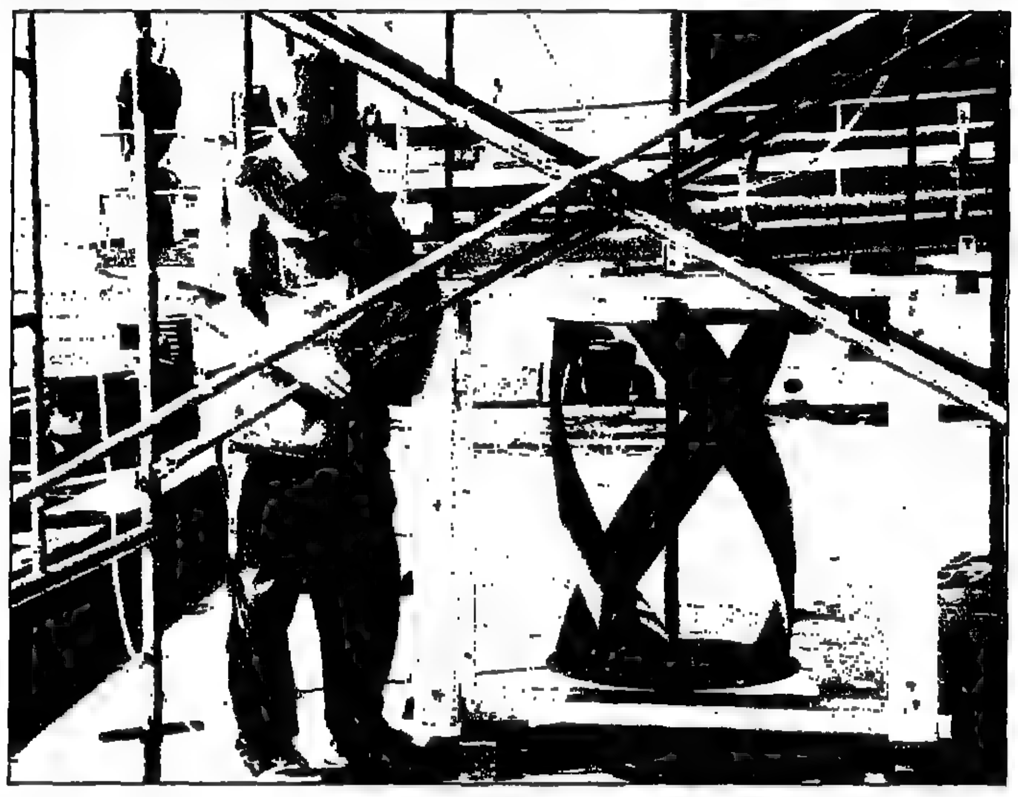
Yet the Darrieus turbine never caught on. The device vibrated so much that the blades were constantly breaking, making the system difficult and expensive to maintain. What is more, the turbine sometimes had trouble starting itself. It was also not terribly efficient at capturing energy.

Mr Gorlov's design seems to have solved these problems. By curving the blades, in a configuration that has the appearance of a DNA molecule, he has made the turbine more efficient than the Darrieus. It captures 35 per cent of the power of free water currents, while the Darrieus never caught more than 23 per cent. The new design also puts less stress on the blades, and it permits self-starting even at very low current speeds.

Although the system could be used in almost any river or stream, Mr Gorlov's dream is to place hundreds of these turbines in "ocean power farms" that would supply electric needs worldwide. "The Gulf Stream current alone would be able to provide more electricity than it is imaginable the world would be able to consume," he says.

The system is attracting a great deal of commercial interest. Allied Signal, the US conglomerate, has licensed the product, and says it is in negotiations to install power farms off the coasts of Australia, the Netherlands, Great Britain, China and South Africa.

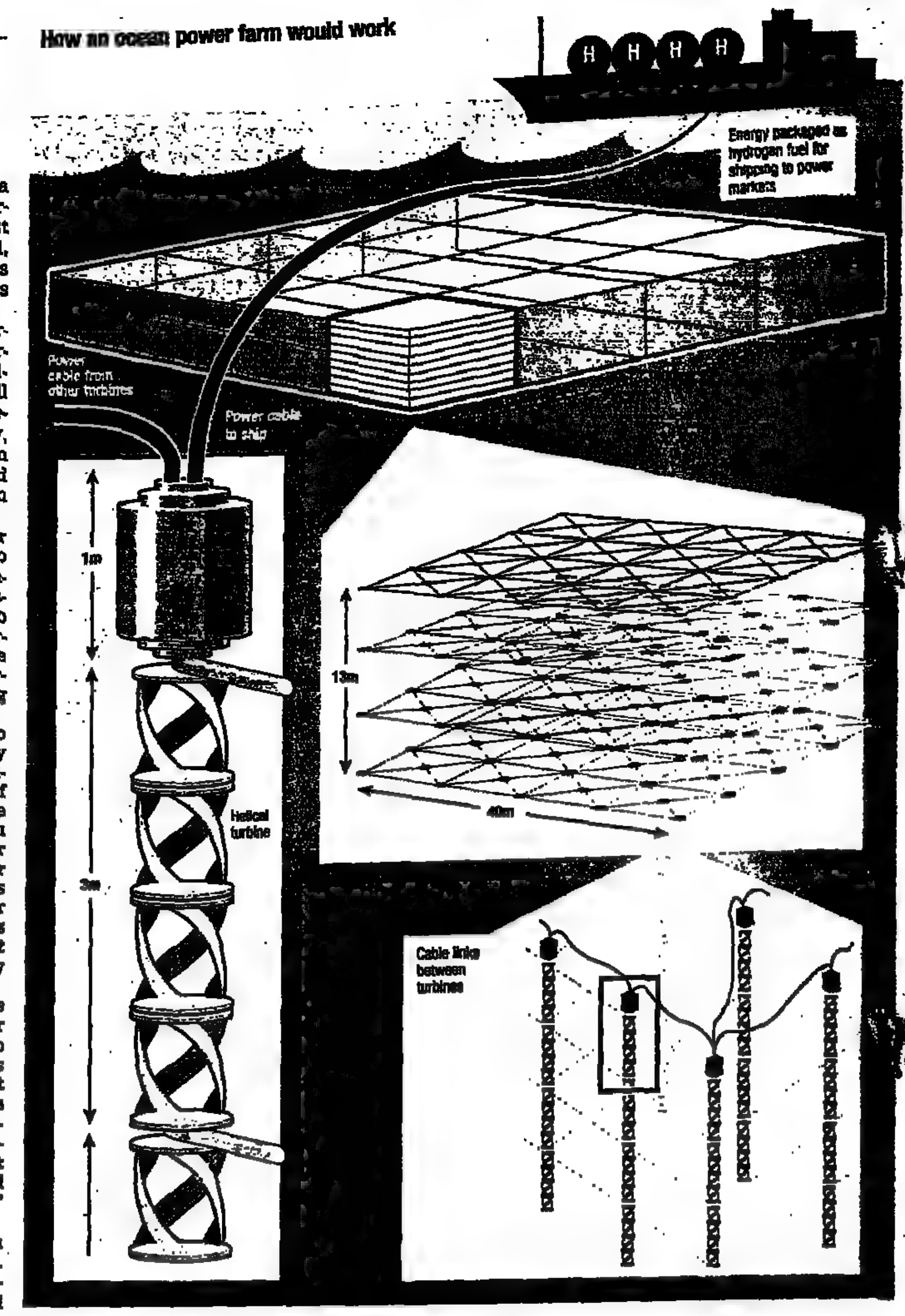
"We're not selling this as environmentally friendly power, although it is," says Ted Bajer, programme manager at Allied Signal for the turbines. "There's a lot of interest because the system is incredibly cheap and efficient. In dollars per kilowatt, it's cheaper than oil."



'The oil barons would have had to kill me two years ago. The invention is done now; it's too late'

Alexander Gorlov

How an ocean power farm would work



Mr Bajer estimates Allied Signal would achieve several billions of dollars in annual sales from the project within the next few years.

The turbines face challenges. One concerns getting the electricity back to the mainland after it is generated. Electric cables along the ocean floor would probably be economically unfeasible.

Instead, Mr Gorlov, in partnership with another company, Gulf Stream Energy, hopes to package the energy in hydrogen fuel. The fuel would then be shipped in canisters back to the mainland. Although this system would probably work, it might create eyesores on the ocean. To make full use of the power it would also be necessary to convert internal combustion engines and other oil consumers to hydrogen use.

None of this prevents Mr Gorlov from predicting that the turbines will eventually become the world's main source of energy. "I set out to solve the world's energy problems in an environmentally friendly way and I have done so," he says. "This will save future generations from the greenhouse effect and is capable of providing all the power we would ever conceivably wish to consume."

DAVID BOWEN
WEB SITE INSPECTION

Clintonet goes on trial

A welter of information about Clinton's impeachment is available. But the video search engine is the true star – tap in any word and you get a minute-or-so clip of the trial, along with the text

How on earth did impeachment junkies survive in 1868, when there was no internet and US President Andrew Johnson was under the cosh? They could not tap into vast Q&As on the legal fine points. Nor could they sign up for an e-mail news feed, or examine tapes of the trial with the world's first video search engine.

I'd rather watch paint dry, but for those who want to examine every nook and cranny of the Bill Clinton impeachment trial, the web is by far the best place to look.

Serious students should turn to the American Bar Association's public education area, where they will find a mass of questions with comprehensible answers, as well as lots of links. This is heavy text. For photos take the link to Jurist, "The law professor's network", which is tied into news feeds, photos and video coverage.

From Jurist you can head off in any number of directions. I chose to find out via the internet how Harper's Weekly, the most important US national periodical of the time, covered the Johnson trial. Harper's Weekly coverage of the trial has a fascinating contemporary view, with its own cartoons.

But the video search engine is the real star, because its significance goes far beyond the current trial. Produced by Virage for AltaVista, it allows you to put in any word and to see a minute-or-so clip of the trial, along with the text. "Betty Currie" yields 42 snippets, "sexual" 43 and "lie" 26. Virage has done the same for Bill Gates' testimony in the Microsoft antitrust case. When the technology is applied to every court case, every parliamentary debate, every speech by Fidel Castro, the potential for time-saving will be formidable.

American Bar Association
www.abanet.org/publiced/impeachment.html ***
Jurist
www.jurist.law.pitt.edu ****
Video search
video.altavista.com/impeach
Harper's Weekly
impeach-andrewjohnson.com ****

Flu seems to be very much in the air at the moment, so it is a good time for drugs companies to sell their wares. The Web's interactivity gives them plenty of opportunities to be clever – but they have to be careful: attitudes and regulations on the marketing of drugs are much stricter in the European Union than in the US.

ZymeTX is a US company that makes ZstatFlu, a swab test for flu. One of its sites, flu101 or "Your influenza resource on the Web", is full of scary stuff: 90m flu cases are reported in the US every year, costs exceed $10bn, and so on. But a linked site, flu-alert, is the intriguing one. Select your (US) state and discover whether it is on "alert", "watch" or "no activity". This week it was bad news for Florida and Oklahoma, with perfect health only in Wyoming.

The statistical basis of flu-alert is questionable. Florida's gloom was based on a handful of positive ZstatFlu tests, and the National Flu Surveillance Network turns out to be a rather small number of doctors carrying out the tests. Never mind: it is early days and this is an intriguing example of drugs companies using the internet to offer a service that would be impossible in any other medium.

Whether such subtle advertising is desirable is, of course, another matter; a point highlighted by the Pravachol site. Pravachol is a heart treatment produced by Bristol-Myers Squibb, and the site kindly helps you find out if you are likely to have a heart attack. Fill in an interactive questionnaire to see what your "risk score" is, show this to your doctor, and with luck you will be prescribed Pravachol.

The kicker here lies in the small "US residents only" badge on each page. In Europe, drugs companies are forbidden from marketing prescription drugs direct to the public, so this sort of site is quite unacceptable. Trouble is, Europeans can view the site as easily as Americans can.

Something will have to change. But will the drug companies be hammered by the regulators, or will the transatlantic chasm in regulatory attitudes have to narrow?
www.flu101.com ***
www.flu-alert.com ****
www.pravachol.com ****

The Monet exhibition starting in London tomorrow is likely to be massively popular. I went to the Royal Academy's site to find out more. I was amazed. There were no pictures, nothing about opening times or prices, only an old news release in plain text.

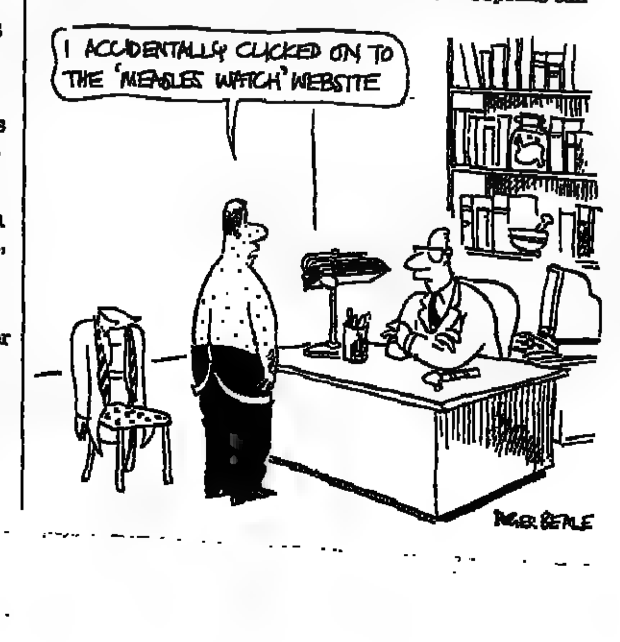
The site also provided information for potential sponsors and Friends of the RA. I could sign up for study courses, but only if I printed out a page containing the form on six sheets of A4 paper (the form is neatly cut in half). I also found a link to details of the Summer Exhibition – last year's.

If anyone at the RA ever buys a computer, they may like to look at the Boston Museum of Fine Arts' site. The museum was the previous host of the Monet exhibition. It presents practical information attractively and has a couple of pictures which lighten the page without slowing the loading too much. It will also sell you a Monet trivet ($18) and Monet Lily Pond earrings ($50). What joy!

The RA appears to have got this site free (it was designed by students): a definition of a false economy.

Royal Academy of Arts
www.royalacademy.org.uk
overall *
design *
navigation ***
Museum of Fine Art
www.mfa.org
overall ****
design ****
navigation ***

David Bowen is editor of Net Profit newsletter (www.net-profit.co.uk; info@net-profit.co.uk).



The good, the bad – and the ugly

Antony Thorncroft finds anything goes at London's contemporary art fair, Art 99

Art 99, the leading fair of 20th-century British art, has reached maturity. This might not be quite the image sought by the organisers, who like to think of themselves as cutting-edge, but if it means a large and loyal audience, and decent sales, it is surely a price worth paying.

Last year the attendance jumped by a third, to 40,000, and immediate sales were valued at £6.5m, with subsequent deals back at the galleries perhaps doubling that total.

You might feel that Damien Hirst's spin paintings are overpriced and starting to look old-fashioned

Art 98 reflected the trendiness of BritArt, the confidence found by a new generation of collectors in the work of those *Sensation* seekers, the Young British Artists.

Earlier aspirations to make the fair international have been abandoned, and attempts to lure in the biggest names in the London modern art market, the Waddingtons, the D'Offays, the Lisson, with offers of cut-price display space, have also been dropped.

But after 10 years the fair, which opened this week in north London, has created its own momentum. It is reassuringly predictable, but still able to shock. The trendiest exhibitors, such as Jay Jopling and Alan Cristea, are given the best selling spots near the entrance. Then come the respectable traders: Bernard Jacobson, Agnew's, and Marlborough, allotted generous spaces close behind. Finally the Young Turks, new dealers showing young artists, are corralled off into their own section, this year called Start.

The fair offers the best cross-section of the good, the bad, and the ugly in contemporary and modern British art from 90 dealers. There are pictures priced at more than £100,000 and prints for under £100, but most transactions will be for less than £5,000.

Most of the big-money art sold at the fair is by the older, perhaps long-dead, masters of the 20th century – Ben Nicholson and Henry Moore, Graham Sutherland and Ivon Hitchens; or purely decorative items that the public loves but the critics despise. The hit on opening night was the photo realist work, rooted in the movies, of Jack Vettriano, whose paintings, priced at between £3,000 and £8,000, walked off the Portland Gallery stand.

But fashion is crucial in art, and that now focuses around a group of conceptualist, installationist, video-obsessed, non-painting artists whose work can only really be displayed in museums. This coterie of publicity touting artists, originally associated with Damien Hirst, ensured that Art 98 was a great success, and the continuing bandwagon has ensured that Art 99 has got off to an equally cracking start.

This year's fair is similar to last year's. But thankfully there are variations. The persistent thinning-out has removed a fifth of the 1998 dealers, often out-of-town purveyors of the meretricious.

Among the big newcomers are such established names as Browse & Darby, offering Euan Uglow and Anthony Eyton, among others; the Piccadilly Gallery, with Anthony Green and Adrian Berg; and Spink-Leger, showing Terry Frost, Patrick Heron, Elisabeth Frink, all the good establishment names, likely to appeal to seasoned collectors with £20,000 or so in their wallet.

But the younger generation of art lovers will be making their way to the Start section, where the organisers, and Bloomberg News, are subsidising displays by 16 tyro dealers including Anthony Wilkinson, Hales, and Jibby Beane. Here you can follow in the footsteps of Charles Saatchi, the UK's leading collector of contemporary art, and buy installations by Tomoko Takahashi, spotted last year at Art 98 and the star of Saatchi's *Neurotic Realism* show.

Anthony Wilkinson has the neon signs of Jessica Voorsanger and the monochromes of Simon Callery; Charles Asprey, represents John Chilver, who pipes on colour through a cake icer; Jibby Beane offers Mira Bernabeli who works in colour photography on aluminium.

There are not many videos on display – they are more loved by museum curators than the public – but much work in new media. The Contemporary Art Society is on hand to guide the unsuspecting around this section, which at the least is cheap – prices range from £80 to £4,000.

You might find much of the contemporary art vacuous. You might feel that Damien Hirst's spin paintings on Jay Jopling's stand are overpriced at £50,000-plus, and starting to look old-fashioned. You might worry that some of the older artists, such as Peter Howson, have great painterly skill but choose joylessly sombre figurative subjects.

But the attraction of Art 99 is the range of art on show. There are dealers such as Jonathan Clark offering some of the best of 20th century British – a rare Ivon Hitchens nude of 1950 and another by Christopher Wood; paintings by Victor Pasmore and William Scott; ensembles of Nicholson and Hepworth.

Bernard Jacobson is showing artists with secure reputations such as the Americans Stella and Rauschenberg and old Brits like Bomberg and Sutherland. There is Agnew's, with the under-appreciated Sidney Nolan, and Marlborough, with everyone from Paula Rego to Stephen Conroy, including a £100,000-plus portrait of Francis Bacon by Brett Whiteley.

Many artists, like Matisse, Moore, and Rego, whose oils are far beyond the purse of most, can be collected at Art 99 through their drawings, prints and lithographs. The Serpentine Gallery, the fair's official charity, is offering limited-edition prints by Caulfield, Rego, Irvin and others for between £20 and £250.

Art 99, Business Design Centre, London N1, until Sunday.

Fairground attraction: Brett Whiteley's portrait of Francis Bacon

Flawed but compelling

THEATRE

ALASTAIR MACAULAY

Bad Weather
The Pit, London EC2

Any drama student could probably tell you at some length what is wrong with Robert Holman's play, *Bad Weather*. And, when the Royal Shakespeare Company launched it last year in Stratford-upon-Avon at The Other Place, several critics got no further than its faults. It sprawls, it bites off more than it can chew, it often feels more like a novel than a play, more than half its plot is implausible, it never seems to be on the cutting edge of drama, and . . . And that much is easy.

What is hard is to explain why it is so very touching. You never know where it is going next, and each of its six characters keeps growing larger and less predictable. Can people change? *Bad Weather* suggests that they can, and that a change of environment is one way of helping them to do so.

It starts and ends in Middlesbrough, where the weather seems always bad. Nineteen-year-old Jamie goes to prison for GBH, his pregnant girlfriend Rhona and his friend, her 21-year-old brother, Luke both know that he is innocent, although he has been fairly convicted of previous crimes. Luke is the one guilty of the crime. Jamie, appalled by prison and so fiercely defensive that he is hard to love, will not grass on his friend. Luke, engaging and so irresponsible that he is virtually amoral, is, by contrast, easy to love. Or so Jamie's mother Kay finds, and so does her friend Agnès, arriving from France; it is their feelings for Luke in particular that lead the play into its deepest emotional water.

During Act Two, five of the characters – Agnès, Kay, Luke, the pregnant Rhona, and Kay's lover Noel – go to France: to Agnès's home. *Luxe, calme, et volupté* predominate, at least at first; and Jamie is almost forgotten. The change is not always for the happier or better. Luke enters into a very strange mixture of somnambulism and denial. But when Kay returns home and visits Jamie in the final scene, one change for the better does begin.

I write about *Bad Weather* now as if viewing it from a great distance; in the theatre you feel very close to it indeed. Now that it has arrived at the Pit, it feels in several respects quite different. The physical look of the play is greatly altered in this different space; the first half has lost something in suspense; the second half feels considerably more taut.

The first half has lost something in suspense; the second half feels considerably more taut

Steven Pimlott remains the director, and – as used to be true of most Pimlott productions, but as was not so when *Bad Weather* was new – there are moments when the acting seems slightly calculated and schematic. But only moments. As before, Susan Engel and Susan Brown are Agnès and Kay: the delicacy and authority of their playing are wholly compelling. Barry Stanton as Noel and Emma Handy as Rhona, the two characters who become outsiders to the play's more central and mysterious drama and yet who do much to propel it, bring great tension and colour to all their scenes. Paul Popplewell as the open and beloved Luke and Ryan Pope as the entrenched and guarded Jamie, rightly, steer their characters into completely opposite directions; and yet you cannot miss just how conflicted both of them are.

Sponsored by the Ulanov partnership

Short measure for the Bard's dark comedy

THEATRE

SARAH HEMMING

Measure for Measure
The Barbican, London EC2

Though difficult, Measure for Measure can be a thrilling play, charged with sexual tension and heady moral debate, riddled with conundrums and carried by a narrative that twists and turns like a mountain road. Michael Boyd's bold RSC production seizes on this dark comedy with relish and squares up to some of its tougher scenes with unpredictable and illuminating insight. Yet the staging is patchy and doesn't carry off the narrative's cut and thrust with such success, and so it never fulfils its own potential.

Boyd's innovations begin with the tricky opening scene. One of the drama's many puzzles is why the Duke of Vienna so abruptly abandons his office, leaving power in the hands of his starchy deputy. Here we see the Duke (a driven Robert Glenister), in Edwardian dress, in a desperate and drunken fever, dictating his opening speech into a phonograph then fleeing, leaving his appointment of Angelo to be *listened to in his absence*. This suggests that his departure may have been brewing for some time and also that, while he is tormented by the debauchery into which his state has fallen, he might also be fearful of Angelo's capabilities.

While the play is driven by ethical and moral debate, it is also very much about power, and Boyd centres the production on the power struggle and abuses of power to which both Angelo and the Duke succumb. So we see Angelo, "dressed in a little brief authority", abusing his might by demanding of Isabella the very act for which he has condemned her brother, and then using his position to conceal his sin. We note also how the Duke, in disguise, manipulates events and people to trap Angelo and only recovers his composure when he can seize control and play judge and juror himself, however mercifully. It is a stark lesson in how power can corrupt.

In this respect, the production is imaginative and modern. The Edwardian setting makes sense of the conflict between the buttoned-up law and unfettered instinct, yet Tom Piper's austere set with its blonde wood and dominating elegant staircase, would not look out of place in an upmarket 1990s eaterie. But while some aspects of the play emerge freshly, others are muted, and the narrative twists, as the characters struggle with their principles, can be far more dramatic than they are here.

Most notably underpowered are the central scenes between Isabella and Angelo. Stephen Boxer is excellent as Angelo in many respects. But I never felt the turmoil, the struggle within him, as he realises that the young nun's passionate chastity arouses his own puritan loins. Likewise, Clare Holman beautifully suggests Isabella's modest integrity, but she does not catch the zealous edge to her purity that inflames Angelo, nor the intense pleading for her brother. Both characters are extremists caught off their guard and this combination of fire and ice is what makes their scenes so intellectually and physically electrifying.

Holman and Boxer are both riveting at the end, however. He, trapped, deflates visibly, while she is moving in her compassion for him. The denouement is strikingly realised and the comedy in the play is very well handled, with Jimmy Chisholm making a wonderfully camp Pompey and Adrian Schiller splendid as the garrulous, decadent Lucio.

This is a provocative production, but is very good only in parts – it doesn't give us the full measure.

Sponsored by NatWest.

Imaginative: Clare Holman on the staircase which dominates Tom Piper's austere set

Alastair Muir

INTERNATIONAL Arts Guide

ANTWERP

OPERA
Flanders Opera
Lulu: by Berg. Conducted by Bernhard Kontarsky in a new staging by Ivo van Hove, with Constance Hauman in the title role; Jan 27

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Die Zauberflöte: by Mozart. Conducted by Jiri Kout in a staging by Günter Krämer, with designs by Andreas Reinhardt; Jan 24, 27
● Turandot: by Puccini. Marcello Viotti conducts a staging by Götz Friedrich; Jan 23

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
● Mefistofele: by Boito. György Györiványi Rath conducts a revival staged by Peter McClintock. Samuel Ramey sings the title role; Jan 22, 25
● Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorghiu; Jan 23, 26

DUBLIN

THEATRE
Abbey Theatre
Tel: 353-1-878 7222
The Rivals: by Sheridan. New production directed by Brian Brady and designed by Conor Murphy; to Jan 23

LAS PALMAS CANARY ISLANDS

CONCERT
Auditorio Alfredo Kraus
Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Schnittke, Bartók and Schubert; Jan 22

LONDON

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Tanztheater Wuppertal Pina Bausch: Viktor. Long-awaited return to London by the Pina Bausch company, which is celebrating its 25th anniversary. With designs by Peter Pabst and a score including jazz, folk and classical music; Jan 27

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art
Tel: 1-213-857 6000
www.lacma.org
Van Gogh's Van Goghs: Masterpieces from the Van Gogh Museum, Amsterdam. Display of 70 paintings on loan during the period of the Dutch museum's renovation. Includes masterpieces such as Potato Eaters (1885) and Wheatfield with Crows (1890); to May 16

LYON

OPERA
Opéra National de Lyon
Tel: 33-4-7200 4500
Zelmira: by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos, with a cast including Mariella Devia; Jan 24, 27

MADRID

CONCERTS
Auditorio Nacional
Tel: 34-1-337 0100
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Bernstein and Mahler; Jan 23
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Canteloube and Prokofiev, with violin soloist Gil Shaham; Jan 24

MANCHESTER

CONCERT
Bridgewater Hall
Tel: 44-161-907 9000
BBC Philharmonic: conducted by Yan Pascal Tortelier in works by Poulenc, with the BBC Singers and Leeds Festival Chorus; Jan 23

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Kent Nagano in works by Liszt, Prokofiev and Stravinsky. With violin soloist Kyung-Wha Chung; Jan 22, 24
● Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Jan 23, 27
● Vienna Symphony Orchestra: conducted by Vladimir Fedosejev in works by Mozart, Mussorgsky and Borodin. With mezzosoprano Marjana Lipovsek; Jan 25

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Jan 23, 27

MURCIA

CONCERT
Auditorio y Centro de Congresos
Tel: 34-968-341 060
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Bernstein and Prokofiev; Jan 25

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● London Symphony Orchestra: conducted by Colin Davis in works by Elgar and Beethoven, Jan 24, 25, 26
● New York Philharmonic: conducted by Riccardo Muti in works by Brahms, Busoni and Ravel; Jan 22

DANCE
Neil Simon Theatre
Tel: 1-212-307 4100
Adventures in Motion Pictures: Swan Lake. British choreographer Matthew Bourne's all-male version of Tchaikovsky's ballet; to Jan 23

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Mary Cassatt: Drawings and Prints. Coinciding with a major retrospective at the Art Institute of Chicago, the Metropolitan Museum has organised an exhibition of most of its extensive collection of Cassatt's work; to Jan 24

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Werther: by Massenet. Donald Runnicles conducts a staging by Paul-Emile Deiber. Cast includes Susan Graham (except Jan 27) and Thomas Hampson; Jan 23, 27

PARIS

CONCERT
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Neeme Järvi in Orff's Carmina Burana; Jan 27

PERUGIA

EXHIBITION
Galleria Nazionale dell' Umbria
Tel: 39-075 574 1247
Beato Angelico and Benozzo Gozzoli: Renaissance Painters. Organised to mark the 500th anniversary of Fra Angelico's death; to Apr 11

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Poussin: Early Years in Rome. Display of 41 works produced between 1624 and 1628. The centrepiece is 'The sacking of the temple in Jerusalem by Titus' (1925/6), commissioned by the Barberini family and rediscovered by Denis Mahon, the show's curator; to Mar 1

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
Japan Philharmonic Symphony Orchestra: conducted by Ken-Ichiro Kobayashi in Mahler's Symphony No.7; Jan 22

TURIN

EXHIBITION
Biblioteca Reale
Tel: 39-011-545303
Leonardo drawings: 12 works from the library's collection, on display in their new air-conditioned and fireproof home. Includes preparatory sketches for The Virgin of the Rocks and nude studies. Advance booking necessary; to Jan 31

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

s on trial

PHILIP STEPHENS

Look who's smiling

The resignation of the leader of the UK's third political party has delayed the great work of reshaping British politics

There is a nice rule in politics which says that the best way to understand the significance of an event is to see who is smiling. Well, Tony Blair was not smiling this week when Paddy Ashdown announced his departure as leader of the Liberal Democrats. Mr Blair thought he had sewn up British politics for the next several decades. The centre-left rules, OK. Mr Ashdown's going opens a large tear in the strategy.

Let's step back a bit here. I cannot remember the last time that the passing on of the baton in Britain's third party raised more than a flicker of interest in 10 Downing Street. It is 80 years since Liberals (as they were then called) occupied the corridors of power. For most of the time since their place on the political scene has been one of an occasionally interesting but more often irritating irrelevance.

Mr Ashdown, with Mr Blair's help, set about changing that. Between them, they hatched something called The Project. This took a hard look at the history of the present century and came to the unstartling conclusion that the Conservatives had prospered because their opponents were divided. It was time to stamp out this destructive tribalism. Mr Blair's New Labour and Mr Ashdown's Liberal Democrats would recreate in the 21st century the radical coalition that prospered in the 19th.

It was a task to which they were temperamentally suited. Both are political interlopers, holding more in common with each other than with their own tribes. Mr Ashdown, a former special forces officer, heads a party until recently best known for its beards and sandals. Mr Blair, public schoolboy-turned-barrister, has never exactly worn his socialism on his sleeve.

The personal chemistry is good. Mr Blair has more time for the Liberal Democrat leader than for some of his senior ministers. And it should be no surprise that Mr Ashdown told the prime minister some time ago of his impending departure – and kept his own colleagues in the dark.

So until recently it all went along quite smoothly. Mr Blair ignored mutterings of dissent from Labour tribalists. Mr Ashdown managed to persuade his internal critics that the deal was delivering. Liberal Democrats, he could claim, now had a voice in the cabinet on the issues they cherished most – constitutional reform and policy towards Europe.

Grown-up politics is popular with voters. The yah-boo version may set pulses racing in the Westminster village. But the electorate is more mature. All the evidence from opinion polls is that Labour and Liberal Democrats alike have prospered from their liaison. William Hague's Conservatives shout to be rarely heard.

Mr Blair has toyed with the idea of permanent places in the cabinet for Mr Ashdown's party. It is often said that had he won a much smaller majority in May 1997, the prime minister would have proposed an immediate coalition. I think that is right. The paradox was that he became a prisoner of his own success. His party's tribalists might have gone along with the idea of coalition if their grip on power had been tenuous. But they were not going to share the spoils of office after such a famous victory.

I once asked the prime minister whether this indeed had been his plan. He looked a little nervous and answered a slightly different question. I took this to mean yes. And even since the election there have been discussions along similar lines between representatives of the two leaders. One can only surmise that Mr Blair is fearful of the reaction. John Prescott, the deputy prime minister, has reminded us recently that Old Labour is still susceptible to tantrums. Others like Jack Straw, the home secretary, and David Blunkett at education make little secret of their visceral hostility to coalition. In any event, caution has prevailed.

Looking back, a turning point in the relationship came last autumn with the publication of the Jenkins Commission report on electoral reform for the House of Commons. A more proportional voting system is the ultimate prize for the Liberal Democrats, the measure which would permanently entrench its influence at Westminster.

A referendum on the report had been promised for this parliament. Mr Blair, facing a swelling tide of opposition in his own party, kicked the issue into touch. He will tell you that a referendum is still possible this side of the election. But he will not promise it. Lord Jenkins, elder statesman and unofficial tutor to the prime minister, is less impressed these days by his protégé.

A second blow to the concordat came in late December with Peter Mandelson's enforced resignation. Mr Mandelson was the most important cabinet enthusiast for coalition. He was Mr Blair's personal representative in talks with the Liberal Democrats. If the prime minister needed stiffening, he provided it.

So now the project is in something of a ditch. Mr Blair may be glum but Mr Prescott et al bear more than a passing resemblance to cats with cream. There are one or two smirks too among the contenders for Mr Ashdown's job.

Even before he announced his departure, there was chafing among some Liberal Democrats. A slice of the party will always prefer the politics of protest to that of power. Mr Ashdown says the sniping was not the trigger for his departure. A decade in the job was enough. I am inclined to take him at his word. He is quitting at the top. The Liberal Democrats are a fractious lot. Their idealism has a certain charm. But for the leader it makes for an exhausting life.

The tempting inference to draw from all this is the moment has now been lost. The permanent political realignment of Mr Blair's dreams, the century of centre-left hegemony, will pass into the realm of what-might-have-been. Charles Kennedy, front-runner in the race to replace Mr Ashdown, does not sound enthusiastic about Lib-Labbery.

I wonder, though. There is more at stake here for Mr Blair than most people realise. Pluralist politics is not a gimmick or a tactic. It lies at the core of his political persona. Sure, voters like him because he seems a decent, God-fearing chap. But what really appeals is a sense of political purpose which breaks out of the narrow boundaries of partisanship. Mr Blair's strength resides in this powerful self-projection of a national rather than a party politician.

Mr Ashdown's departure alters the contours of British politics. But a much bigger event – the promised referendum in two or three years time on participation in the euro – will remake the landscape. New Labour and the Liberal Democrats will then stand on the same side of the most important vote in the nation's postwar history. Was that a beginnings of a smile I saw beneath Mr Blair's frown?

LETTERS TO THE EDITOR

Corporate capture of defence industry

From Prof John Lovering.

Sir, The proposed incorporation of GEC-Marconi into New British Aerospace has far wider implications than the press coverage has recognised.

The defence industry is in the midst of a bewilderingly complex and radical restructuring on a global level. In effect, a new post-cold war military industrial complex is being constructed. New British Aerospace will have a significant role in this, based on collaborative projects with numerous European, Asian and southern hemisphere companies, and larger ones with the US defence industry.

The growth of this sort of cross-border networking has already given defence companies considerable leverage over national governments, since such programmes tend to become insulated from what the companies regard as the vagaries of national politics. That is one of the main reasons they are so attractive. The BAe-GEC deal will land a giant arms company at the doors of the UK's Ministry of Defence, Department of Trade and Industry and other sources of public funding.

The danger of corporate capture of defence-industrial policy is acute. Worse than this, there is a real danger that the interests of companies will influence defence strategy itself (the recent Strategic Defence Review reproduced many of the arguments and proposals that companies have been putting forward over the past few years).

It is vital that the merger receives more than cursory examination by the competition authorities, and that a public debate addresses wider issues than the promised costs savings.

John Lovering,
dept of city and regional planning,
University of Wales,
Cardiff, UK

Crawling peg has worked well for Chile

From Mr Victor Bulmer-Thomas.

Sir, You were too hasty to write off adjustable exchange rate pegs ("Fall of the Real", January 18). It is true that the peg failed in Brazil. Yet Chile, still the star in the Latin American firmament, has used a crawling peg to good effect in the last 10 years, while Colombia, Costa Rica and Peru have also benefited.

Almost any exchange rate regime can be made to work if it is backed up by appropriate fiscal and monetary policies.

Argentina's currency board is held up as a model exchange rate regime by many, but the Argentine peso was seriously overvalued until recession in 1995 and a tight fiscal policy helped to lower the price level and restore competitiveness.

In Brazil, by contrast, there has been an absence of fiscal discipline, and this was the single most important reason for last week's maxi-devaluation.

Brazil's notoriously undisciplined politicians and fragmented party system make it very difficult for the administration to control Congress, and this weakens the executive's grip on fiscal policy.

Under these circumstances, an adjustable peg may not have been the best exchange rate regime for Brazil.

However, no regime will work in Brazil (or anywhere else) without co-ordination of macroeconomic policies. Thus, fiscal discipline remains a priority in Brazil, and the political class cannot escape its responsibilities in this area simply by adopting a new exchange rate regime.

Victor Bulmer-Thomas,
senior research fellow,
Institute of Latin American Studies,
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London WC1 9HA, UK

'Fixed' currencies that cannot help but float

From Mr Bert Ely.

Sir, Stephen Fidler, in "Dollarise or die" (January 19), states, as have many other commentators, that Hong Kong and Argentina have absolutely fixed exchange rates.

That is wrong. Argentina and Hong Kong have absolutely floating exchange rates because the currency to which they are tied – the US dollar – is itself a floating currency. Any currency tied rigidly to a floating currency is itself a floating currency.

Of course, the float of the tied currency is not driven by its own economic fundamentals, which is why "tied floats" can be sustained only at great cost. That is why a "direct float", which the leading countries enjoy, is far preferable.

Bert Ely,
Ely & Company,
901 King Street,
Alexandria,
Virginia 22314, US

Bush and the death penalty

From Mr Bernard Cunningham.

Sir, Hillary Durgan's report on George Bush Jr ("Bush takes Texas oath in shadow of Washington DC", January 20) failed to make reference to that "compassionate conservative's" record of breach of human rights of the hundreds on Texas's Death Row.

This man, who has allowed the execution of mental defectives, social inadequates and others who had the misfortune to come from the bottom of the social ladder, wishes to renew society from the bottom. I suppose their wholesale execution could be considered as one way of doing so.

He wishes to bridge cultural and ethnic differences, yet has allowed the execution of a disproportionate number of blacks and Hispanics. His record with regard to the death penalty and human rights disqualifies him from candidature for the presidency.

Bernard Cunningham,
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28036 Madrid, Spain

X: the truth is out there

From Dr Richard Hadfield.

Sir, I finally understand how to price internet stocks. In order to pay $6.7bn for Excite, Tom Jermoluk, chief executive of @Home, shows us how: "The shareholders together say that one and one makes 10 here." Obviously, for internet stocks the equality $1 + x = 1 \times 10^6$ holds true for all x, not only zero.

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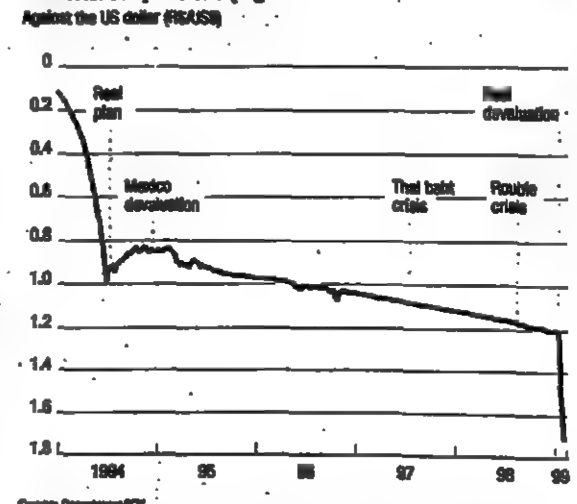
PERSONAL VIEW JEFFREY SACHS

Self-inflicted wounds

It is dangerous to fall in love with exchange rate pegs, as Brazil discovered to its cost. Countries should discard them as soon as they have stabilised internal prices

The International Monetary Fund's dealings with Brazil in the past two years constitute a textbook failure in monetary management. As a result of monetary policy errors, Brazil faces a steep and unnecessary recession. At one level, the story is straightforward: Brazil defended an overvalued currency until it finally snapped. The greater mystery, and greater concern for the future, is the complicity of the US government and the IMF in this blunder.

The Real: the price of a peg
Against the US dollar (R$/US$)



As in so many policy failures, the Brazil debacle began with a great success. In 1994, Fernando Henrique Cardoso, then finance minister and now president, led a team of reformers in designing and implementing an ingenious programme of monetary stabilisation in which a pegged exchange rate played a crucial part.

In a unusual design brilliantly adapted to Brazilian circumstances, a new currency, the Real, was phased in between March and July 1994 with a nearly constant value against the dollar. As predicted, wage and price inflation began to slow markedly as the exchange rate stabilised. But as in many other "exchange rate based" stabilisations, the slowdown in wage and price inflation slightly lagged behind. While the new monetary unit was nearly stable after April 1994, wages and prices approximately doubled between the second quarter of 1994 and the end of 1995.

The result was an elegant and essentially costless stabilisation, so effective as to deliver the 1994 presidential elections to Mr Cardoso. But the legacy was an overvalued exchange rate. The next step should have been clear. It was time to move away from the pegged rate, *and to introduce a much* more flexible exchange rate system. This is the path successfully taken by Israel after its 1985 stabilisation, and by Poland after 1990. Indeed, the basic stabilisation strategy of an early pegged rate followed by a modest depreciation and subsequent flexibility, had become part of the accepted professional lore of anti-inflation programmes, in part through the academic writings of Stanley Fischer, now the first managing deputy director of the IMF.

Some governments, however, fall in the love with the exchange rate peg since an overvalued currency generally means cheap consumer goods and high real wages in urban areas. Thus, Mexico delayed a needed exchange rate change in 1993-94 in large part because the government feared the political consequences in the 1994 election year. The consequences, of course, were dreadful in 1995, following a December 1994 devaluation when Mexico had exhausted its reserves in a futile defence of the currency.

Brazil (and Thailand for that matter) had the Mexico debacle clearly in view in 1995-96, and so too did the IMF. What happened therefore is even more remarkable. Brazil delayed needed exchange rate changes, presumably with a view towards Mr Cardoso's forthcoming re-election campaign. *It introduced* a very gradual depreciation that was not enough to compensate for the past overvaluation. In the autumn of 1997, when the Asia crisis hit, the Real was heavily attacked – understandably and predictably in view of Brazil's currency overvaluation, its significant budget deficit (then around 4 per cent of gross domestic product), and its large stock of short-term internal and external debt.

At that point, an urgent re-assessment of monetary and exchange rate policy was due. And yet the IMF ardently defended the Brazilian decision in October 1997 to put up interest rates to 50 per cent per year precisely in order to hold the currency. This decision was fateful. It cemented the end of Brazilian economic growth, and built in a fiscal time bomb. When the misguided defence of the currency began, the deficit was about 4 per cent of GDP. A fiscal adjustment, supposedly of 2 per cent of GDP was announced, and praised by the IMF. But instead of reducing the deficit to 2 per cent of GDP, the 1998 budget deficit in fact jumped to about 8 per cent of GDP, in large part the result of the self-induced economic slowdown (which reduced tax collections) and the *rapid* build-up of interest payments on public debt.

Any careful observer in 1998 could recognise the Mexico debacle clearly. When Russia fell into the same currency trap in mid-year – for the same reason: an exchange-based stabilisation programme held too long with IMF encouragement – Brazil was the subject of intense speculative attack once again. So here was Brazil in October 1998, now with zero economic growth, a looming recession, a hugely overvalued exchange rate, a rapidly rising internal debt, a clear view of Russia's collapse, and the support of the IMF to defend the currency. Of course, a major part of the story (as in Mexico in 1994) was that Mr Cardoso's re-election was just around the corner.

The IMF, the US government and Brazil worked out a fatuous $41bn stabilisation programme predicated on a continuation of the pegged exchange *rate regime*. Once again, the IMF leadership disparaged "academic observers" who suggested the Brazilian currency was substantially *overvalued.*

The IMF does not, presumably, have a death wish. So why has it been a party to such damaging and unsuccessful *policies*?

There are, I think, four reasons. First, the IMF and the US Treasury have listened far too much to Wall Street *importunings since* the mid-1990s. US investors wanted to get their money out of Russia and Brazil without devaluation losses. Second, the IMF believes it can outsmart the market, when in fact the market is outsmarting the IMF. The IMF (and US) wanted to support *Mr Cardoso's* re-election. Ironically, he most likely would have won with a devaluation in 1996, or in late 1997, or even in late 1998. *Now he* faces a financial disaster of his own contrivance.

Third, as an anti-inflation zealot, the IMF cooly accepts deep recessions if it thinks that the output collapse will save a few percentage points on the price level.

Last, the IMF remains impervious to criticism. The critics can carp, but the IMF and the Treasury hold the bucks. True to form, after two years *of* receiving disastrous advice from Washington, where did the new Brazilian central bank governor go for ideas the day after the currency collapse? Why of course, to the IMF and US Treasury.

The author is the director of the Harvard Institute for International Development

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday January 22 1999

Universal Social Security

There is no perfect answer to the question of how best to provide for the elderly. But even as his trial continues in the Senate, President Bill Clinton has set useful terms for the US debate. The central idea is that the bulk of the projected federal surplus over the next 15 years should be saved for pension provision. This is surely right.

Mr Clinton wants to maintain a universal Social Security system, and will find much public support. Under his plan, the surplus will be used to shore up the finances. Unlike in most other rich countries, the US state pension is not paid out of general revenue. The increasing costs as baby boomers retire will not be disguised. For this reason, current contributions are greater than benefits. From around 2015, this positive balance changes. Soon after 2030, the trust fund will be exhausted. After that, either taxes go up or benefits fall.

Mr Clinton proposes that 62 per cent of the surplus forecast over the next 15 years, some $2,800bn, should be paid into the trust fund. Under the plan, the surplus will effectively be used to pay off debt rather than spending it or cutting taxes. Government bonds would be placed in the trust fund, to "save" the surplus. On top of this, Mr Clinton proposes that up to 25 per cent of the transferred surplus be invested in the stock market. Historically, the return on equities is greater than on bonds. The White House says the plan will keep Social Security solvent until 2055.

Mr Clinton's defence of Social Security will please Democrats, but not conservative Republicans who would rather see big tax cuts and a private pension system. However, to appeal to conservatives Mr Clinton proposes a second pension pillar of individual, privately managed, voluntary accounts. The government would contribute 11 per cent of the projected surplus to provide an incentive to save.

Much of this is sensible. Social Security remains a highly popular programme. Only half the US public has a private pension. Government assistance could be designed to most help the poor. If, in the longer term, the US pension system moved more towards the funded second pillar, infrastructure and public understanding would be in place.

The major concern, voiced this week by Alan Greenspan, chairman of the Federal Reserve, is that the US government would become the country's biggest single equity holder. This raises difficult, though not necessarily insurmountable, questions. But where the trust fund is invested is a second order question. If it all stayed in bonds, Social Security would still remain solvent until 2049. The important, and welcome, proposal is that the surplus be used to keep Social Security in the black.

Relieving debt

The proposals on debt relief for poor countries put forward by Gerhard Schröder, Germany's chancellor, in his article in yesterday's FT are well judged and well timed. They also mark a commendable change of heart in a country that, under its previous government, adopted a somewhat rigid and, given the debt relief Germany once received, unbecomingly self-righteous attitude.

The already established debt initiative for heavily indebted poor countries (HIPC) has made some progress. Rightly, relief was not ladled out to all indebted countries, regardless of merit. It was used, instead, as an incentive and reward for improved policies, both economic and social. So far seven countries – Bolivia, Burkina Faso, Côte d'Ivoire, Guyana, Mali, Mozambique and Uganda – have received relief with a net present value of about $3.1bn. But a total of 15 should have qualified for relief by the year 2000, provided reform programmes remain on track.

Nevertheless, critics have been justified in their demands for more and faster relief. These demands will not be stilled: the Jubilee 2000 campaign, for cancellation of the "unpayable" debt of the poorest countries, will ensure that. As chairman of the group of eight leading industrial countries this year, Mr Schröder is in an outstanding position to improve what is on offer still further.

His proposal is aimed at "intensifying and accelerating the implementation of HIPC". It has three elements.

The first is speeding up the process, to ensure all countries entitled to take part will know their position by 2000. In some cases cancellation of commercial credits and loans from governments is to be considered. The second element is cancellation of those debts owed by eligible countries that are caused by bilateral development assistance. The third is assistance to the World Bank and International Monetary Fund with their own contributions to debt relief. This is to take the form of contributions to the World Bank's HIPC Trust and the Fund's "enhanced structural adjustment facility".

These ideas appear well judged. The whole process will be accelerated and debts will be cancelled, where appropriate, but relief will remain linked to good policy and performance. This is as it should be: there is no case for letting, say, Sudan's government off the hook. But it has always been important to treat governments that are making a serious effort to improve the lot of their people with generosity and some dispatch. Mr Schröder's suggestions mark a welcome further step in that desirable direction.

Asia's real worry

A week after Brazil's devaluation Asia seems to have escaped the contagion effect that hit emerging markets after Thailand let its currency slide in 1997. For once, a large devaluation in one part of the world has not brought a collapse elsewhere. Together with this week's restoration of investment grade status to South Korea this adds up to the impression that the Asian crisis is finally on the mend.

Celebration could be premature. Brazil's move was widely expected. The relatively low share of trade in its economy means devaluation has little direct competitive impact. The steam has gone out of the hedge funds whose earlier activity proved so destructive. And the strong yen has eased pressure on other Asian currencies.

But the lack of market response also confirms that a crisis which began in the financial arena has moved on, first to the real economy and now, increasingly, to the political fabric. Thanks to the region's strong balance of payments surplus, today's danger lies less in currency market meltdown and more in doubts over the endurance of governments as they grope for an elusive recovery.

Concern is not just focused on the looming elections in Indonesia and the widely publicised travails of Dr Mahathir Mohamad in Malaysia. Thailand's finance minister and two other senior ministers face a censure motion next week that could be a prelude to an eventual election. South Korea's government is at loggerheads with the opposition and facing differences within its own coalition. China's prime minister Zhu Rongji is under pressure as a result of the weak economy. Tung Chee-hwa, Hong Kong's chief executive, is also on the defensive as the territory grapples with record unemployment, while Japan's prime minister Keizo Obuchi is struggling to maintain the authority of his weak coalition.

Only in the case of South Korea is the internal bickering a luxury which the politicians feel they can afford because of optimism about the economy. While consumer confidence remains weak and the labour market under pressure even that optimism could easily prove misplaced. For the others, it is more a matter of tired governments desperately trying to escape from recession.

Consensus forecasts for the region show four economies – Hong Kong, Singapore, Indonesia and Japan – contracting this year and several others barely in positive territory. The economic crisis is not over. Indeed, it may be entering a phase where pressure on politicians gets in the way of sensible solutions. That calls for care, not complacency.

Testing the euro's mettle

FT writers suggest the standards Europe's single currency must meet to be a success in the real world

The launch of the euro was a triumph in a narrow sense: it went off smoothly. But if Europe's new currency is to be a real success, it will have to do more than merely not cause market mayhem in week one. It will have to influence the behaviour of many other actors for years – the world's capital markets, the treasuries of big companies and the euro-zone's 370m consumers. In an attempt to provoke thought (ie, don't hold us too strictly to these) FT writers suggest some yardsticks for judging the euro's performance.

CAPITAL MARKETS

Ed Luce

The euro will have to account for at least 30 per cent of international bond issues by the end of this year.

At present, about half of all international bonds are denominated in dollars, with the yen, sterling and now-defunct continental European currencies making up most of the remainder. Volumes in the euro-zone's fledgling bond market, therefore, will indicate whether financial markets think the euro is a success and also whether it stands any chance of becoming a viable alternative to the dollar.

This implies two things. First, the largest global borrowers, such as the World Bank and leading emerging market governments, ought to tap debt in euros as frequently as they do in dollars. They will only do so if the currency is viewed as stable and if the pricing is competitive with interest rates in the dollar market. So the development of a viable swaps market in the euro is a precondition of its success.

Second, international investors, notably the large US mutual and pension funds and the big Japanese life insurers, should be keen to invest in the euro. Again, the attractiveness of euro-denominated bonds depends on the stability of the euro-zone's broader economy and on whether the single currency is trading within a stable range against the dollar and the yen. One clear pointer of this is whether leading central banks, including those of Japan, China and Taiwan, become large buyers of European government bonds. At the moment about 65 per cent of foreign reserves of central banks are held in dollars. This should have fallen to nearer 50 per cent by the end of 1999.

BANKS

George Graham

Half a dozen pan-European banks must emerge within the next few years.

A pan-European bank can be headquartered anywhere in the region, but to be worthy of the name it must have retail and commercial banking activities throughout the euro-zone and a management structure that gives equal opportunities to nationals of any of the region's countries.

Although most big European banks now lend to big businesses throughout the region, few conduct business with individuals and smaller businesses outside their home market. For pan-European banking to achieve critical mass, there must be at least five big institutions that attempt to appeal to the mass market across the euro-zone.

That does not mean replicating outside their home markets the branch networks built at home in the era of "bricks and mortar" branch banking. But it does mean appealing to a range of customers, perhaps using alternative distribution techniques such as direct mail, agents, and telephone banking.

Of course, for all that to happen, banks must first sort out some basic operational details. They have to make sure untried payments systems such as Target and the Euro Banking Association clearing system can successfully move money from one end of Europe to the other. They must also ensure that customers get the right balances in their accounts, despite the complexity of operating in national currencies and euros simultaneously.

Bank customers will expect improvements in service and better terms. For corporate treasurers, this will mean much cheaper cross-border transfers, but also the ability to sweep money and pool cash balances across borders – a goal blocked more by tax and accounting difficulties than by foot-dragging by the banks.

Perhaps the decisive question will be how quickly consumers (who will not feel the full force of the euro before 2002) start to benefit from lower interest rates and better service conditions. Mortgage rates in countries such as Portugal, Italy and Belgium have already fallen considerably as they have converged on those of countries with lower rates. The band, though, remains wide.

COMPANIES

Peter Martin

Companies really have to treat Europe as one market. That means having roughly the market share, profits and prices in every main part of the euro-zone; it means writing – and using – a European companies law; and it implies a European-wide consensus on corporate governance.

Big companies are already operating on a pan-European scale in consumer goods, business-to-business sales, and services. But few make as much money abroad as they do at home. Pricing is also different. They may attempt to sell cheaply, to overcome unfamiliarity, or they may charge a premium, to reflect their "exotic" nature.

One test of the success of the euro, therefore, is an end to these national characteristics. Firms that operate on a pan-European basis must achieve broadly comparable profitability and market share in all the main markets of the euro-zone, and comparable pricing as well.

Another combines legal and practical aspects. The European Commission and the Council of Ministers must agree the long-delayed European company statute, which would allow companies to incorporate themselves under a European, rather than national, structure of law.

Legal formalities are only half the story: this statute must be attractive enough to encourage many of Europe's big businesses to re-incorporate themselves under it. Tax and other complications must be resolved, and national governments must encourage such conversions. Critical mass here is at least 20 of the top European companies, with a strong representation from each of the euro-zone's big economies. Without such a migration, Europe's corporate structure will remain balkanised.

The third corporate test is a more subjective one. It requires an emerging consensus on corporate governance, the role of stakeholders, and the priority to attach to shareholders' interests. Without such a consensus, Europe's capital markets will not function efficiently and the "stateless" companies the European company statute will encourage will not achieve their goals.

CONSUMERS

Emma Tucker

Consumers will judge the euro a success if it drives down price differentials across the single market and makes prices instantly comparable across borders.

The potential for the euro to make an impact is extremely high. A survey carried out by Test Achats, the Belgian consumer organisation, on the eve of the single currency's launch, revealed sharp national differences in the prices of consumer goods. Car radios in London, admittedly not yet a member of the euro-zone, are up to 36 per cent more expensive than in Rome. Part of such price differentials can be put down to local taxes and the cost of labour, but all these should become more transparent under the euro.

Transparency will occur only when retailers start to label their goods in the local currency and euros, something many are committed to doing before the end of this year. One measure of the euro's success, therefore, will be how far dual pricing has extended beyond the premises of big European-wide retailers to local shops. The range of items bearing dual price tags will also be important.

One further benchmark will be the impact the euro has on mobility. Out of a population of 370m people, only about 5.5m European Union nationals live and work in another EU country. Although language and culture influence mobility, the euro will make it easier to compare salaries, social benefits, house prices and other living costs.

ECONOMY

Martin Wolf

In macro-economic terms, the euro-zone will be judged not just by how well it performs on average, but by divergences in performance across member states.

How might this be assessed? First, how well does the "one size fits all" monetary policy work? Does it give roughly the right monetary policy for all member states or are there widely divergent macro-economic conditions, with over-heating in some economies and recessions in others? Second, are member states able, in practice, to use fiscal policy to stabilise their economies as and when needed?

Success will mean that the citizens of each member state are content with the outcome for themselves – or at least happy enough for there to be no serious talk of secession.

One of the most important by-products of monetary union should be structural reforms, particularly in labour markets.

With the exchange rate safety valve closed, adjustment pressures will fall elsewhere, particularly on workers. Exchange rate certainty will increase the attractions of moving production towards member states with relatively low labour costs. The result is likely to be strong pressure on the more inflexible and higher cost labour markets. This, in turn, will generate resistance, with efforts being made to create euro-zone wage bargaining and raise labour standards to those of the highest cost countries.

Success would then consist of liberalisation and reform; but failure would consist of euro-wide wage bargaining and enforcement of higher labour standards throughout the zone.

In the end, however, the euro-zone will be a success if citizens conclude it has worked well enough to be bearable. This will be a subjective political judgment, not an objective economic one.

OBSERVER

To vote or not to vote

You have to hand it to the Italians for sheer perseverance. Earlier this week, the constitutional court in Rome decided to allow the petition for a referendum that seeks to abolish proportional representation in parliament's lower house.

Following the court's verdict, voters will soon have the chance to rationalise the electoral set-up by voting for changes aimed at eliminating all those bothersome splinter parties. Getting a referendum off the ground takes organisation and unpaid hard work – but this will be the sixth time that Italian voters have been called to the ballot box in the 1990s to decide issues by popular vote.

In a referendum four years ago, they had to settle 12 matters that the country's politicians ducked. Among the eight issues decided in 1993, Italians voted overwhelmingly to abolish state funding of political parties. Some hope. Since then, the will of the people has been conveniently ignored by members of parliament.

Opinion polls suggest a massive majority in favour of the latest move to abolish proportional representation in the lower house. But will the politicians listen? At least they took notice of the public in 1987, when a referendum called for withdrawal from nuclear power. But that cost the Italian taxpayer billions of lire.

Passing the puck

Alexei Yashin's popularity soared last year after the Russian hockey player announced he'd donate C$1m to Canada's cash-strapped National Arts Centre in Ottawa. No matter that cynics called his donation a public relations ploy to win over fans after a year on the bench with the Ottawa Senators because of a contract dispute.

Now the superstar player has dropped the idea after making only one of five annual instalments. Yashin's agent said his reasons for canceling the donation were "personal". There's talk he's been annoyed that the NAC hasn't made a greater effort to feature top Russian concert performers. Another theory is he cancelled the cash after a disagreement over tax receipts from the NAC, while others reckon he pulled out because the NAC wouldn't employ his parents.

So will his image take a bruising? Fans may well forgive his change of heart, given he's a key reason why the team has risen to the top echelons of the National Hockey League this season.

One thing's certain, however. He won't be appearing on stage with NAC officials later this month: the centre has indefinitely postponed its much-heralded "Pucks and Tux" gala concert.

Paddy put off

Most leading politicians can't resist the temptation to commit their careers to paper once they bow off the national stage. But there's very good news for the electors of Britain, who are bidding goodbye to Paddy Ashdown – leader for 10 years of the Liberal Democrats, the country's third party.

Ashdown, 58, may have shocked parliamentarians by announcing his unexpected departure but they'll be even more surprised to hear he's got no intention of writing his memoirs.

Though the man credited with bringing the Liberal Democrats back from the brink of extinction may soon have time on his hands – as a trained commando his hands were said to be capable of killing people – but he's not going to spend it hunched over a word processor.

For which Observer is rather grateful; the lost leader's account of how he fended off ranks of party activists set against change and finally found safe haven by cuddling up to prime minister Tony Blair's government is hardly the stuff of movies.

In any case, he's quite likely to end up with a proper job next time, possibly as a Blair emissary to Brussels. One of Britain's commissioners to the EC, Sir Leon Brittan, is due to step down later this year and there's already speculation that Blair could give Ashdown – who had been tipped for a post in the British cabinet – the job. The other favourite is Chris Patten, the former Conservative minister and Hong Kong governor.

Mersey mania

David Fisher, merchandising boss of Bloomingdale's in New York, is an unreconstructed Beatles fan. He's got pictures of the "Fab Four" on his office walls to prove it.

Fisher has just been coaxed over to Liverpool by fellow New Yorker and honorary Liverpudlian Sid Bernstein, who first took the group to the US in the 1960s and who's been recruited by the city as an "ambassador". The smart department store is keen to set up a Made in Liverpool stall in its New York store selling locally made Beatles souvenirs, clocks, clothes and sofas. If it works, they'll do the same in the store's other US outlets.

"He's a dyed-in-the wool Beatles fan and we've got him interested in Liverpool's renaissance," says Bernstein, who's also planning a Liverpool revival concert in New York's Central Park later this year. He's also pushing for the two cities – old trading partners – to be twinned. Lime Street meets Lexington? Yeah, yeah, yeah.

The Financial Times

50 years ago

5% French Loan
Paris, Jan. 21. The announcement to-day of a new Government loan at 5 per cent, accompanied by guarantees against depreciation of capital and interest unprecedented in French financial history, is one of the sharpest tests of public confidence in the future of France and her currency since 1944. On the response to the new loan may well depend the future of this or any other Third Force Government in France. The new bonds can be issued "to bearer" and will be exempt from present or future taxes on securities. The amount aimed at is Frs. 100,000m.

Outlook For Tea
It is now clear that tea producers generally may be in a strong position for at least another year. This strength has been apparent in the way the Indian and Ceylon authorities have been able to reject the British Government proposal that London tea auctions should be resumed. In 1942-46 Indian and Ceylon tea supplies were subject to international allocation. From the beginning of 1947, however, the Indian and Ceylon Governments adopted the principle of encouraging sales by auction.

FINANCIAL TIMES
FRIDAY JANUARY 22 1999

THE LEX COLUMN

Clipped wings

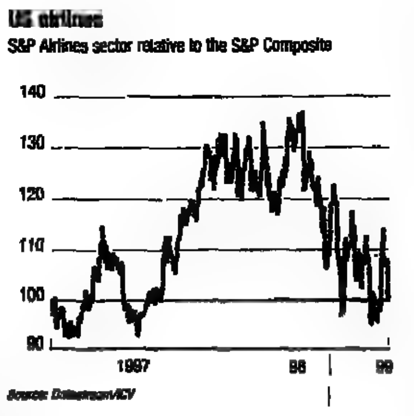
Plans by United Airlines, the largest carrier in the US, to swoop down on America West, the ninth biggest, make a lot of sense. It would strengthen United's position on the West Coast, and parts of America West's 110-strong fleet could be shifted to Washington DC, where United intends to expand. Moreover, America West can be had for a snip. Even after a one-quarter jump in its shares, it is capitalised at barely $900m. United might even be able to secure a 50 per cent voting stake from financier David Bonderman for much less. All in all, a neat deal.

Unfortunately, it is not that simple. Continental Airlines, a bitter rival of United, has the right of first refusal over Mr Bonderman's stake, and already owns 8 per cent of America West. The Justice Department would surely question the merger of two of the top 10 airlines – after all, it sued Northwest Airlines when it took a stake in Continental last year. And United's unions, which own 55 per cent of the carrier, will have to be won over.

Nevertheless, consolidation is essential. Over the past six years, US airlines have co-operated as never before, restrained capacity increases and produced record profits. But the industry still does not earn its cost of capital over a business cycle. With profits set to fall by 15-20 per cent this year and share prices already weak, pressure to raise returns through rationalisation will only increase.

US airlines

S&P Airlines sector relative to the S&P Composite



Source: Datastream/ICV

Nissan

Nissan looks a tempting morsel. The world's fifth largest car manufacturer has top-class European and US production facilities and a 20 per cent market share in Japan, where foreigners have struggled to make headway. As for synergies, Renault, if successful, could push its classy models through Nissan's US and Japanese distributors, as well as generating savings in Europe. DaimlerChrysler could make huge cost reductions in Nissan's dire US distribution network. Both of them could generate economies of scale from common procurement and rationalising research and development.

Moreover, Nissan looks a bargain. At yesterday's close, a 50 per cent stake would cost just $4.4bn. If that sounds too good to be true, it is. Nissan is a case of nice assets, shame about the liabilities. Officially Nissan's net debt is Y2,500bn ($22bn) against equity of Y1,030bn. That would be bad enough. But the group has also made off-balance sheet loans to ailing suppliers and dealers, which could add up to another Y1,000bn. Certainly, any foreign investor would need to inject a large amount of capital. This risk should be reflected in the price.

But the biggest stumbling block to any deal would be Nissan's managers. After all, why should a foreign investor provide cash to executives who have destroyed value on such a consistent basis? The cost of Nissan's survival is likely to be their jobs.

Cemex

Cemex must consider itself earthquake proof. The more the rest of the world shies away from emerging markets, the more the Mexican cement producer digs in. While Brazil rocked global markets last week, Cemex announced a $577m expansion in troubled Asia. It has long eyed prospects in Brazil itself.

Its Far Eastern strategy makes long-term sense. In the Philippines, it plans to become the number two producer after raising its stake in Rizal and buying out APO Cement. That would give multinationals almost full control of the market at the expense of cut-throat locals, increasing their power to raise depressed local cement prices. And by swooping now, Cemex is buying these assets at close to replacement value and only a fraction of their pre-crisis cost.

When the Philippine economy eventually recovers, Cemex should reap the rewards. Similarly in Indonesia. Cemex's 22 per cent stake in PT Semen Gresik gives it market clout at low cost. Rebuilding the economy of one of the world's most populous countries will eventually require bags of cement.

Of more concern is the balance sheet. Cemex's rush to expand has left it with $4.6bn of net debt balanced on a market capitalisation of $2.4bn. Granted, much of it is in hard currencies at relatively low interest rates. And Cemex has promised to cut borrowings – hence the recent sale of some Spanish assets. But a period of consolidation now looks in order.

Mirror Group

For a company in the communications industry, Mirror Group deserves to be lambasted for allowing a poisonous atmosphere to fester. Shareholders ought to be sitting pretty as the company's executives try to winkle a better price out of Regional Independent Media.

Instead, resentment lingers that an alternative deal with Trinity was allowed to slip away. And for that they blame David Montgomery, the chief executive, as does Trinity. Mr Montgomery denies the charge. Whatever the truth, it is evidence of a dramatic breakdown in trust if some shareholders do not believe what the chief executive tells them. And Mr Montgomery must carry some responsibility for that. Furthermore, the company has not helped its case by allowing rumours to persist of a split between Mr Montgomery and chairman Sir Victor Blank.

Shareholders deserve better. At the very least, they deserve a board that is united on Mr Montgomery's position, as well as on which deal to favour. If the board is split, it is incumbent on the non-executives to break the deadlock. This they must do, or face the nuclear option of shareholders requisitioning an extraordinary meeting.

What of Mirror's negotiations? The board is continuing to talk to Regional Independent Media. But since it has failed to convince some shareholders that the Trinity merger was a bad one, the non-executives should review this conclusion and report back to shareholders.

Brussels seeks to block US banana export sanctions

By Guy de Jonquières

The dispute between the US and the European Union over trade in bananas escalated yesterday after Brussels tried to prevent Washington from obtaining the approval of the World Trade Organisation to impose sanctions on EU exports in 10 days.

The US attacked the move, saying it reflected "eleventh hour desperation tactics". A spokesman for the US trade representative claimed the EU was evading its obligations by trying to make the WTO rewrite the rules.

Trade diplomats in Geneva said the EU's unprecedented move took the WTO into uncharted legal territory and could provoke a political showdown with the US.

Washington plans to ask the WTO's dispute settlement body on Monday for authorisation to impose sanctions on $520m of European exports from February 1, because the EU has not complied with a WTO ruling against its banana import regime. Under WTO rules, the US request cannot be blocked.

The US says the regime – which gives banana imports from former British and French colonies in Africa, the Caribbean and the Pacific preferential treatment – discriminates against US distributors in Latin America.

Brussels sought yesterday to spike Washington's guns by calling for an emergency meeting of the WTO's general council, its ruling body, to decide whether the US sanctions request was valid.

The EU insists its request for a meeting should be heard before any decision about US sanctions.

Brussels argues that the US cannot legally retaliate because the WTO has not decided whether the modified scheme, introduced at the start of this year, complies with the earlier finding that EU banana imports breached the rules.

The EU is also asking the general council to clarify whether the US will have the right to retaliate against European exports if a WTO panel rules against the new banana scheme.

WTO members are allowed to ask the general council to interpret the rules, but this is the first time it has been done. Although the council is obliged to accept the EU request, it is not expected to meet before mid-February – about two weeks after US sanctions are due to start.

A majority of three-quarters of the WTO's 133 members is needed to decide on an interpretation of its rules and the process could take at least a month.

EU officials expressed confidence last night that WTO members would rally to their support. They said several governments were expected to call on the chairman of the disputes settlement body on Monday to delay the US sanctions request.

However, trade lawyers doubted whether the chairman could do so without violating WTO rules and depriving the US of its rights.

The conflict arises from ambiguity in the WTO rules. Although they allow retaliation against members that do not comply with a disputes ruling, they are unclear about how this should be carried out.

Japan forecasts need to issue extra $1,228bn of bonds

By Gillian Tett in Tokyo

Japan's central government will need to issue around Y140,000bn ($1,228bn) worth of additional government bonds during the next five years to maintain spending, even if growth rebounds sharply, the Ministry of Finance will admit today.

The forecast value of net new bonds issued, based on the ministry's own medium-term projections, would take the value of outstanding central government bonds to about Y430,000bn in 2003, or about 80 per cent of 1999 gross domestic product.

This would represent one of the highest central government debt burdens in the industrialised world, and mark a sharp rise from the Y273,000bn worth of outstanding central government bonds recorded in March last year.

The ministry yesterday said details of these projections were still being finalised with politicians. But the projected deterioration in government finances is already alarming the ministry, particularly as long-term interest rates have recently risen sharply.

Some senior bureaucrats are now warning that the government must cut its spending in the coming years – in contrast to some LDP politicians, who are calling privately for additional spending measures to be considered this year, if growth does not resume.

Analysts yesterday warned that even these grim forecasts from the Ministry of Finance appeared excessively optimistic, given the weakness of tax revenues and the government's reluctance to implement real spending cuts. Kunji Okue, analyst at Dresdner Kleinwort Benson, yesterday said: "These ministry figures are definitely an underestimate."

The ministry's projections, for example, were drawn up assuming an average of 1.75 per cent annual GDP growth each year, in line with the government's official stance that the economy will rebound this year, stimulated by recent spending measures.

Masaru Hayami, Bank of Japan governor, yesterday insisted that the recession should bottom out soon. However, most private-sector economists expect little growth this year. Robert Feldman, economist at Morgan Stanley Dean Witter, said: "If you assume an average of zero growth each year, then you end up with [a central government bond] ratio of 90 per cent [compared with 1998 GDP]."

The ministry is considering the issue of up to Y50,000bn government-backed bonds to fund its bank reform package. This would be in addition to the Y50,000bn of outstanding government-guaranteed bonds that already exists. "We consider these off balance sheet, so they just appear in a footnote," one official said.

The level of outstanding local government bonds is also projected to rise to Y135,000bn by March 2000, according to current budget plans. But most officials expect this is also an underestimate.

Bonds, Page 32

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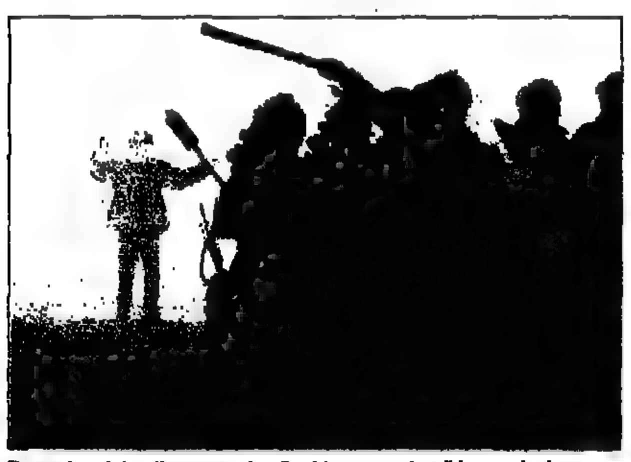

Romanian riot police yesterday fired tear gas at striking coal miners attempting to march on the capital, Bucharest. At least 66 people including 15 policemen were injured in the clash. Report, Page 2 AP

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FT WEATHER GUIDE

Europe today

Greece and Cyprus will have heavy showers. North-west Spain and Portugal will have showers. The central Mediterranean will be sunny. High pressure will keep much of eastern, central and north-west Europe dry, with overnight fog and frost slowly lifting to leave sunshine in most places. Germany and Poland will be cloudy with showers. There will be sleet and snow in north-east Europe. The southern half of Scandinavia will be mild.

Five-day forecast

A large area of high pressure across much of central, southern and eastern Europe will bring fine conditions, but overnight fog and frost will be slow to clear from some places. Northern Europe will be changeable with some rain, and snow is likely in the north-east.

Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	23
Accra	Fair	33
Algiers	Fair	17
Amsterdam	Fair	7
Athens	Shower	12
Atlanta	Rain	21
B. Aires	Fair	29
B.ham	fog	4
Bangkok	Fair	34
Barcelona	Shower	12
Beijing	Sun	6
Belfast	Shower	7
Belgrade	Fair	5
Berlin	Cloudy	5
Bermuda	Fair	25
Bogota	Fair	19
Bombay	Sun	33
Brussels	Fair	7
Budapest	fog	2
C.hagen	Fair	5
Cairo	Sun	31
Caracas	Sun	30
Cardiff	Fair	7
Casablanca	Rain	18
Chicago	Rain	5
Cologne	Fair	9
Dakar	Sun	23
Dallas	Fair	16
Delhi	Fair	18
Dubai	Sun	24
Dublin	Shower	7
Dubrovnik	Sun	5
Edinburgh	Shower	6
Faro	Fair	14
Frankfurt	Cloudy	7
Geneva	Fair	7
Gibraltar	Rain	14
Glasgow	Shower	6
Hamburg	Fair	6
Helsinki	Snow	1
Hong Kong	Rain	20
Honolulu	Fair	27
Istanbul	Fair	8
Jakarta	Shower	30
Jersey	Fair	9
Johannesburg	Shower	23
Karachi	Sun	25
Kuwait	Sun	20
L. Angeles	Sun	21
Las Palmas	Fair	19
Lima	Cloudy	24
Lisbon	Shower	12
London	Sun	9
Lux.bourg	Drzl	8
Lyon	Fair	8
Madeira	Fair	17
Madrid	Cloudy	9
Majorca	Shower	16
Malta	Fair	15
Manchester	Fair	7
Manila	Shower	30
Melbourne	Shower	28
Mexico City	Fair	22
Miami	Fair	28
Milan	Sun	7
Montreal	Snow	-1
Moscow	Snow	0
Munich	Fair	7
Nairobi	Fair	28
Naples	Sun	14
Nassau	Fair	27
New York	Rain	8
Nice	Sun	12
Nicosia	Shower	16
Oslo	Fair	2
Paris	Fair	9
Perth	Sun	29
Prague	Cloudy	3
Rangoon	Sun	34
Reykjavik	Snow	0
Rio	Fair	31
Rome	Sun	12
S. Frsco	Shower	16
Seoul	Fair	5
Singapore	Thunder	30
Stockholm	Fair	4
Strasbourg	Cloudy	7
Sydney	Rain	23
Tangier	Shower	14
Tel Aviv	Fair	20
Tokyo	Shower	10
Toronto	Snow	4
Vancouver	Rain	6
Venice	Sun	7
Vienna	Fair	3
Warsaw	Cloudy	3
Washington	Rain	10
Wellington	Fair	17
Winnipeg	Snow	-6
Zurich	Cloudy	4

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 FRIDAY JANUARY 22 1999 Week 3

INSIDE

Novartis falls as growth rate slips
Novartis shares fell after it reported sales in its core pharmaceuticals business grew by 6 per cent in 1998 – nearly half the rate in its first year of operation. Profits have been growing on the back of cost-savings, but there has been concern that this has led to a loss of sales momentum in its pharmaceuticals arm. **Page 27**

Oil groups struggle after price cuts
US drilling activity has fallen by 45 per cent in a year. Oil prices are hovering at their lowest levels in more than a decade, and each time they slip, another project is in danger of collapse, equipment is mothballed, jobs are cut, and more consolidation takes place. **Page 26**

Sega set to raise $702m from issue
Sega, the troubled Japanese computer games group, has set out to raise Y80bn ($702m) in a convertible bond issue – the biggest yet from a Japanese company. **Capital Markets, Page 32**

IPE, Nymex meet for merger talks
The International Petroleum Exchange board meets with the New York Mercantile Exchange next week to negotiate plans that would see the world's two benchmark crude oil futures contracts at one exchange. **Commodities, Page 34**

China B shares in terminal decline
China's B share markets are in decline. Their combined capitalisation is just $2.2bn, less than the assets held in China by some of the biggest foreign banks, while the Chinese stock market for local-currency A shares has swollen to $234bn. **Emerging Market Focus, Page 44**

Daido looks to acquire LTCB arm

Daido Mutual, a second-tier Japanese life assurer, is hoping to purchase the investment trust arm of the Long-Term Credit Bank of Japan. It would be the first sale of an LTCB operation since it was placed under state control last autumn and would boost attempts by the government of Keizo Obuchi (*pictured*) to wrap up the affairs of the group, which was nationalised as part of the drive to reform the banking sector. **Page 29**

Low demand hits Asian steel makers
Asia's steel makers are in crisis as their two biggest customers, the construction and automotive industries, have been hit by recession, contributing to a 9.3 per cent year-on-year plunge in world steel production in November – one of the biggest drops on record. **Page 28**

CME chief announces resignation
Rick Kilcollin, president and chief executive of the Chicago Mercantile Exchange, one of the two big US futures exchanges, is to step down in two months. **Capital Markets, Page 32**

COMPANIES IN THIS ISSUE

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MARKET STATISTICS

Ford predicts tough year ahead

Carmaker's fourth-quarter earnings ahead of estimates

By Nikki Tait in Chicago

Ford Motor Company, the second largest US car and truck maker, yesterday forecast only a slight weakening in the strong North American auto market this year – but said it expected more losses in its South American operations in the wake of the Brazilian crisis.

"We see 1999 as tougher than 1998," said John Devine, finance director, as the company announced 1998 fourth-quarter group earnings per share of $1.35, comfortably above analysts' estimates of about $1.27.

Ford said it expected the North American automotive market in 1999 to be "down a bit" from 1998's strong levels. But, like its competitors, the company is still forecasting that industry production will top a healthy 15m units.

Mr Devine said he expected pricing in North America to be at best flat and "maybe down a bit" in 1999, and predicted that marketing costs, which increased in the fourth quarter, would remain at similar levels for the immediate future. "It's going to continue to be very competitive," he said.

Ford reported profits of $1.04bn in the fourth quarter, or $1.67bn excluding one-time charges. This took full-year earnings to $5.94bn after charges, and $6.57bn before charges. It had already warned of the charges that cover asset writedowns and some severance costs.

Automotive operations posted a gain of $494m at $5.38bn (before charges) for the year, with help from cost savings of $3.2bn.

In North America, there was an underlying rise of about 9 per cent, to $4.97bn, with the return on sales rising to 5.8 per cent, helped partly by a more favourable product mix. In Europe, there was a full-year profit (before charges) of $330m, up $13m, but fourth-quarter earnings slipped from $95m a year ago to $63m.

In South America, Ford notched up an underlying loss of $145m, $185m less than in the previous 12 months. "For 1999, we have established a milestone of improving our operating results ... but we are not expecting to be profitable there," it said.

Mr Devine said Ford did not expect any additional charges related to South American interests, but added that it was "watching the situation very carefully". "I don't think we've found bottom in Brazil, as an industry," he said.

Ford hoped to get its main Brazilian plant back into production by February, he went on. The company has faced a sit-in by workers in the wake of its decision to lay off 2,800 employees, and has shut down the factory temporarily.

Meanwhile, Mr Devine ducked questions on whether Ford might be seeking to acquire Volvo's car division, saying he did not wish to "add to the speculation". He did concede that the company's $24bn cash pile was a "lazy asset", although he said it was also "a strategic asset and one we have to employ carefully".

LVMH to buy Krug champagne for $177m

By Robert Graham in Paris

LVMH, the French luxury goods leader, is to buy Krug from Rémy-Cointreau, the wines and spirits group, for FFr1bn (€152m, $177m).

The price is the highest ever paid for a champagne house and the fifth change of ownership in the champagne business in the last 12 months. Owners have been cashing in on a rush of orders in the run-up to the year 2000 celebrations, when demand for champagne is set to outstrip supply.

Krug was founded in 1843 and has kept its distinctive squat bottle and V-shaped label, which have become hallmarks of the finest champagne.

LVMH is already the champagne leader, owning – through Moet & Chandon – Dom Perignon, which has total group annual sales worth FFr7.45bn.

"This investment completes the strategic portfolio of LVMH in the champagne sector with a *cuvée* ... of exceptional quality," LVMH said yesterday. Krug will be marketed through LVMH's Veuve Clicquot brand distribution network.

Krug has 19 hectares of vineyards and annual sales of FFr118m. Analysts said LVMH was believed to be paying 30 times profits and is getting Krug free of debt in a business where many houses are heavily indebted. The price also reflects the fact that Krug holds stocks for seven years – exceptionally long for a champagne house.

Champagne producers are seeking to raise production from the 270m bottles of 1997 to at least 300m, ahead of 2000. But this is still expected to leave a gap in the demand for French champagne. The champagne industry has put in place measures to try to ensure that demand in 2000 does not produce an excessive fluctuation in prices, including holding down the price of grapes.

Another element affecting the current wave of property changes, including a possible Seagram sell-off of Mumm and Perrier Jouet, is that after 2004 the region covered by the champagne denomination will not be extended.

Paris to support Renault link with Nissan

By David Owen in Paris and Alexandra Harney in Tokyo

Lionel Jospin, the French prime minister, yesterday threw his weight behind a possible tie-up between Renault and Nissan Motor, Japan's second biggest carmaker.

He signalled that the French political establishment would *back an agreement* between the partly state-owned French carmaker and a Japanese company "if an agreement ... can help the development of Renault in Asia".

Renault this week acknowledged it was talking to a number of potential Asian partners, including Nissan, and was not ruling out an equity stake. It is understood to have been in talks with the Japanese carmaker since *last* year.

French government officials are upbeat about the prospects of a deal, with some suggesting the process is too far advanced to come to nothing. But they rule out any prospect of Nissan taking an equity stake in the 44 per cent state-owned company.

Mr Jospin's comments came on the eve of an expected meeting in Tokyo between *Yoshikazu Hanawa*, Nissan's president, and Jürgen Schrempp and Robert Eaton, co-chairmen of DaimlerChrysler, the German-US company.

They are expected to make an announcement on the progress of talks over Nissan Diesel, the carmaker's troubled 39.8 per cent-owned engine and truck affiliate, and possibly on Nissan itself.

Rumours of a *tie-up between* heavily-indebted Nissan and DaimlerChrysler, Renault or Ford of the US – in what would be the latest example of global car industry consolidation – started this month.

Nihon Keizai Shimbun, the Japanese newspaper, reported that Renault had offered to buy a 20 per cent stake in a deal that would be worth about Y208.5bn ($1.8bn) at yesterday's share price of Y415. Mr Hanawa recently said he would allow a foreign group to buy a stake of 33.4 per cent or more in Nissan.

A deal would be timely for the once-struggling Renault, which has staged a financial recovery under Louis Schweitzer, chairman, on the back of successful models such as the Mégane Scénic.

It has embarked on rapid international expansion in line with a plan to boost output to 4m vehicles by 2010.

Carlos Ghosn, another Renault executive, recently indicated the group wanted to lift the proportion of sales outside western Europe to 50 per cent by 2010 from 20 per cent.

Although several Japanese carmakers have sales and marketing or technological tie-ups with European counterparts, a deal with Renault would probably be the largest between two independent European and Japanese car groups.

Among the main issues in any alliance would be Nissan's enormous debt. It had Y4,300bn in interest-bearing liabilities as of March 1998, including debt from retail financing operations. It expects after-tax losses of Y30bn in the year to this March, which would be the sixth year out of seven in which it has recorded a loss.

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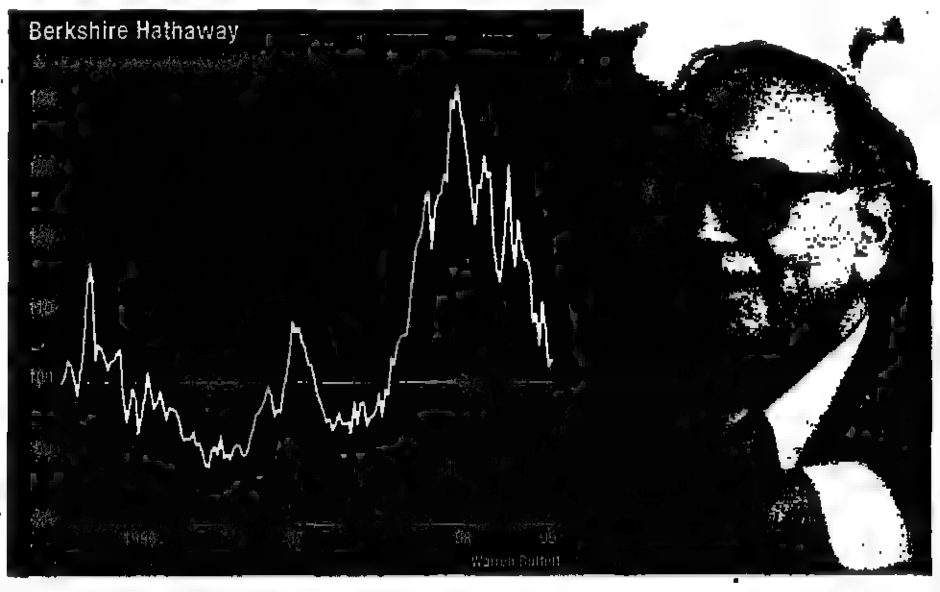
A year for reflection for the Berkshire Hathaway faithful

By Richard Waters in New York



When shareholders in Berkshire Hathaway converge on Omaha this year, the celebrations are likely to fall a little flat.

The folksy wisdom of Warren Buffett, Berkshire's chairman, will flow, and long-term shareholders will smile over the huge profits the "world's most famous investor" has made them over the years.

But nothing will disguise the fact that the many small investors who climbed on to the Buffett bandwagon nearly *three years ago have not had* the ride they hoped for.

In addition, had it not been for a giant acquisition completed late in December, Berkshire Hathaway's performance last year would probably have been behind the Standard & Poor's 500 index – for the first time since 1980.

For the shareholders who make the trip to Omaha this will be a reminder that even *Mr Buffett's genius has its limitations*. Yet the Berkshire Hathaway stock price, despite its underperformance, still conveys the confidence in Mr Buffett's ability to hit home runs in the stock market.

"Investors are paying a big premium for Warren Buffett," says Peter Ascue, an analyst at Value Line.

Some 40,000 small investors unable to afford the price of *Berkshire's existing shares* – at around $83,400 – jumped at the chance when the company issued a new class of "B" shares in May 1996.

Yet they would have done well to listen to Mr Buffett's own cautions about the high level the shares had reached. A $1,000 investment in the B stock would now be worth *around $1,750. Had it been* invested in the S & P500, it would be $1,900.

At their peak last summer, Berkshire's shares were worth more than three times the company's underlying book value, against around 2.2 times when the B shares were issued. In effect, investors were placing an extraordinarily high premium on 68-year-old Mr Buffett's ability to *keep making market-beating* investment decisions.

For much of last year, things do not seem to have worked out that way. Berkshire Hathaway's 1998 results have not been published. But in the first nine months of the year, the signs were not encouraging.

The company's book value per share had fallen 2.6 per *cent, while the S & P was up* around 5 per cent.

Big investments in such companies as Coca-Cola and Gillette, whose growth has underpinned Berkshire's own performance over the years, trailed the market last year.

And things are not likely to have improved much in the final quarter. The four investments that together represented more than 70 per cent *of Berkshire's portfolio gained* 21 per cent, roughly in line with the rise in the S & P500.

The late-December acquisition of General Re is likely to be the only thing that saved Mr Buffett from reporting his first year of under-performance in nearly two decades. Using stock valued at more than three times book value, *Berkshire last June agreed to* buy the reinsurance company at a multiple of little more than 2.2 times General Re's own book value – a manoeuvre that lifts Berkshire's book value per share, while providing Mr Buffett with a new pot of investments to manage.

For the faithful in Omaha, this piece of financial engineering should save what would have been a forgettable year. But they *may* wonder whether Mr Buffett's fortunes are tied more to his success as a wheeler and dealer on Wall Street than a long-term value investor on Main Street.

Gazprom set to fund pipeline via offshore group

By Arkady Ostrovsky

Gazprom, the natural gas producer and Russia's largest company, is to set up a special offshore company to secure foreign credits for its key $2bn pipeline project in an innovative attempt to raise money in the wake of the Russian financial crisis.

Alexander Semeniaka, Gazprom's finance director, said the project-finance company would be set up with a strategic partner to secure funding against the collateral of Gazprom's foreign exchange earnings from exports.

Gazprom, owed Rbs132bn *($5.75bn) in payment arrears* from domestic gas users, has also suffered an erosion of profits from the devaluation of the rouble. But it urgently needs to raise money to go ahead with the Blue Stream, its key project, which envisages building a 396 km pipeline across the Black Sea to Turkey and which is due to be completed next year.

The dramatic downgrading of Russia's sovereign credit rating in effect severed Gazprom's access to the international capital markets. An offshore company that would be set up with a highly rated for*eign partner would* allow Gazprom to win a higher credit rating and borrow money at a better rate.

"This system allows Gazprom to create a structure that *de facto* has a credit rating higher than that of a sovereign and allows it to attract financing for particular projects," Mr Semeniaka said. He added that *Gazprom would soon* announce its partner's name. Stephen O'Sullivan, an analyst at the Moscow-based United Financial Group, believes it could be Eni of Italy.

Sergei Dubinin, Gazprom's vice-chairman and the former head of the central bank, said Gazprom was also in talks with the Russian government to launch rouble-denominated debt and possibly equity instruments designed to attract foreign holders of GKOs, which are defaulted Russian government bonds.

Under Russia's proposal to restructure its domestic bonds, foreigners who originally *invested $15bn in GKOs* were allowed to convert some of their holdings into new Russian securities.

Allowing foreign investors to buy the Gazprom bond – instead of worthless Russian sovereign paper – is likely to be welcomed by foreign banks, which had previously described the conditions of debt restructuring as "confiscatory". Moscow is still locked in restructuring talks with foreign investors.

Mr Semeniaka also said Gazprom was still hoping to tap international capital markets later this year by issuing corporate bonds fully secured by its export sales. A plan to have a bond issue was conceived shortly before the crisis.

Mr Dubinin and Mr Semeniaka also confirmed plans to sell an extra 1.5 per cent of Gazprom shares to Ruhrgas, the German gas group, which last month paid $660m for a 2.5 per cent stake in Gazprom.

COMMUNICATIONS EQUIPMENT MARKET SHARE RISES ON GROWING CONSUMER DEMAND

Lucent posts strong advance in first term

By Louise Kehoe in San Francisco

Lucent Technologies, the US communications equipment manufacturer, reported a strong gain in first-quarter earnings despite lower than expected revenue growth.

Net income, excluding special items, rose 26 per cent to $1.4bn, or $1.05 a share, for the quarter ended December 31, up from $1.1bn, or 86 cents. However, revenues rose only 5.5 per cent to $9.2bn from $8.7bn.

Worldwide revenues from equipment and services supplied to network operators were $6.1bn, up 3 per cent.

Business communications systems rose 2 per cent to almost $2bn and semiconductor revenues increased 6 per cent to $821m.

The revenue picture was clouded by deferral of more than $800m worth of contracts signed in December that "did not meet the precise letter of the law" in accounting terms.

These would be recognised as revenues in the first quarter, said Richard McGinn, chairman and chief executive.

This business had rolled over into January and would boost second-quarter sales, he said.

However, revenue growth was also slow in the corporate communications-systems sector. This was an anomaly, Mr McGinn said. The business unit had overreached in the prior quarter, more than achieving sales goals, then eased back in the first quarter.

Total revenues outside the US grew 49 per cent as the company, which was formerly the technology arm of AT&T, forged new customer relationships.

In Europe alone, Lucent added 75 telephone and network operators to its customer list during the past quarter, said Mr McGinn.

"We beat the Wall Street estimates for net income and margins," he said. "This was a blow-away quarter. Customer demand remains robust, and we continue to take [market] share."

Lucent had already booked over $1bn in revenues this month, he said, and revenue growth for the second quarter was expected to be about 30 per cent up on the same period last year. "We expect Lucent's earnings per share to double from the 14 cents we reported a year ago."

For the year, Mr McGinn predicted revenue growth of 19-20 per cent and earnings per share growth of about 35 per cent, excluding special items.

These estimates excluded anticipated growth based on the planned acquisition of Ascend Communications, the data networking equipment company, which Lucent announced earlier this month.

The acquisition would add to robust growth in 2000, he said.

Greenbergs bestride US insurance

By John Authers in New York

Marsh & McLennan, the world's largest insurance broker, yesterday announced that it had chosen Jeffrey Greenberg as its chief executive. He will succeed AJC Smith, who plans to retire from the company next year.

Mr Greenberg's appointment, to take effect next year, cements the remarkable power of his family in the insurance business. His father, Maurice "Hank" Greenberg, is a legendary figure in the US, having been chief executive of American International Group, the largest US-based insurer, for more than 30 years. AIG's president and likely successor as chief executive is Evan Greenberg, Jeffrey Greenberg's brother.

Jeffrey had been seen as a likely successor to his father at AIG, where he worked for 18 years, but he moved to Marsh & McLennan four years ago. At the time, his father said he was "personally saddened by Jeff's decision, but I respect his wishes".

Jeffrey Greenberg said yesterday: "I've learned through my whole career at AIG and Marsh & McLennan, and from great leaders in both places."

Mr Smith, who will step down as chief executive this year, said he expected a "seamless" transition. He described his successor as "eminently qualified" after an "extraordinary career".

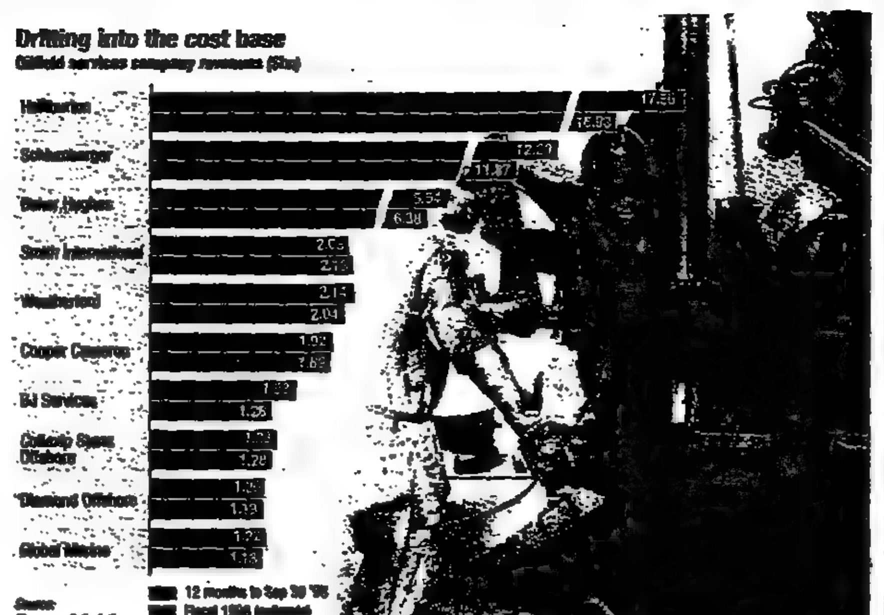
Mr Greenberg has spent three years working in Marsh & McLennan's investment arm, which structures and manages private equity insurance investments. He takes over as president immediately.

Marsh & McLennan has emerged as the largest global insurance broker after consolidation in the industry. In the last three years, it has bought Johnson & Higgins, a privately held US insurance broker, and Sedgwick of the UK in 1998. It also owns Mercer Consulting, the management consultancy, and Putnam, the Boston-based fund manager.

Mr Greenberg said: "In the insurance business we aren't thinking in terms of acquisitions right now. We think that strategically we are very well positioned, and have a strong business that can meet our targets on its own."

Collapse in price leaves oil services in deep trouble

Hillary Durgin examines how the US industry is trying to cope



Denny Smith has been watching unused oil rigs being mothballed at drilling sites from the oilfields of West Texas and the Rocky Mountains to the historic wells of the north east.

Every time oil prices slip a few cents, another project is in danger of collapse and more equipment is mothballed. If times are tough for the world's oil giants, then they are even tougher for the dozens of smaller companies that provide oil-field services and equipment.

Business is "lousy", says Mr Smith, director of corporate development at Nabors Industries, the world's largest onshore drilling company. In the last year, Nabors has shed 4,000 jobs, or about 30 per cent of its workforce, and has stopped the motors on more than half the rigs it had working in the US.

"It's everywhere," he says of the slowdown. "Nothing's immune."

Apart from cutting staff, the oil service industry is consolidating. Nabors announced last week that it would pay about $272m for a rival, Pool Energy Services. This is not quite Exxon and Mobil getting together, but for an industry that has prided itself on being populated by many small and feisty companies, the spate of mergers and acquisitions is almost an admission of defeat.

In a little more than a year, US drilling activity has fallen by 45 per cent, hardly surprising when oil prices have been hovering at their lowest levels in more than a decade and showing little sign of strong recovery. The services industry, whose international centre is Houston, is itself a series of niche businesses. There are seismic specialists, deep sea divers, helicopter operators and Red Adair-style firefighters.

Consolidation is likely to blur the old boundaries. The larger companies like Schlumberger, Halliburton and Nabors are reducing their workforces and on the look-out for distressed smaller companies in the US and Europe. These companies want to become one-stop shops instead of having to subcontract services such as seismic data collection or subsea construction.

"It's a very good time to be looking at consolidation," says Paul Chambers, oilfield services analyst with Lehman Brothers in Houston. "There are 155 publicly traded oilfield services companies around the world – that's way too many."

It is also a very good time for lawyers. Oil companies have demanded that contracts for services be renegotiated given that projects profitable at about $15 per barrel are not viable with the price hovering at $12. An important test case is likely to be one involving Mobil, which withdrew from a contract with R&B Falcon to provide a floating, deep-water drilling rig in the North Sea.

Mobil said mechanical problems with the rig's mooring system made it impossible to start work on the project. Falcon, however, avowed it was not in default of the contract and is pursuing legal action.

Oil companies are scouring their portfolios for projects to cut. At the end of last year, they expected to reduce exploration and production spending by 11 per cent to $79.21bn in 1999, the most severe contraction since 1986, according to a survey by Salomon Smith Barney.

But Salomon analysts forecast that the drop in the price of oil to below $14.50 could curtail spending by as much as 20 to 25 per cent. On top of that downturn, some oil companies are demanding that suppliers discount their services by 10 to 20 per cent.

Halliburton recently said it would cut 2,750 jobs in its energy services group and take pre-tax charges in the fourth quarter totalling $95m. That is on top of the 7,250 jobs that the company, which is the largest provider of oilfield services employing about 100,000 people, said it would shed in October.

In announcing the year-end charges, Halliburton said it was experiencing payment delays by oil company customers, and that some of its partners and contractors could not cover their share of expenses.

Those conditions are a prescription for further merger and acquisition activity this year. In particular, analysts expect mergers among companies that operate in the shallow waters of the Gulf of Mexico, where the oil companies have scaled back activities. For example, on Monday, Global Marine, the offshore driller, said it was looking to increase its size and scope, and, on Tuesday, Core Laboratories, a seismic services company, said it was to buy GeoScience, a seismic equipment maker, for about $167m.

For its part, Nabors is looking for more acquisitions to increase its size, cut costs, and expand its array of drilling and other services. "It's a matter of how much economic sense it makes," says Mr Smith. "The whole horizon is open."

Improved margins cushion Exxon fall

By Hillary Durgin in Houston

Exxon yesterday reported a 30 per cent decline in earnings per share to 62 cents for the fourth quarter after excluding special items. However the fall was less than expected, as improved margins in its marketing and European refining operations helped offset a 40 per cent decline in oil prices.

The company, which is the first large oil company to report quarterly earnings, is also likely to be the group's strongest performer, analysts said.

Exxon, which typically beats its peers in market downturns, is less sensitive to oil prices, boasts a stronger balance sheet and has a diversity of businesses across the industry and around the globe that help it to weather the cycles in any particular area.

"So far through three quarters of this year they've been the top performer from an earnings standpoint of their peer group," said Arthur W. Tower, oil analyst at Howard Weil Labouisse Friedrichs in New Orleans. "I expect that they'll maintain that position after everyone else has reported."

Most leading oil companies plan to report their quarterly results next week.

Exxon also stands out because unlike many of its peers including Atlantic Richfield, Conoco, Phillips Petroleum and Texaco, it has not taken special charges for writing down the value of its oil and gas holdings and inventories or for laying off workers.

Fourth-quarter net income was $1.5bn, or 62 cents a share, down 30 per cent from the same period last year after excluding last year's non-recurring credits. Analysts had expected 57 cents. Revenues declined 15 per cent to $29.7bn.

For the year Exxon reported net income of $6.4bn, or $2.64 share, excluding a charge, down 21 per cent from 1997 after excluding special gains. Sales declined 14 per cent to $117.8bn.

A 40 per cent decline in crude oil prices in the fourth quarter was the main reason behind the decline in Exxon's earnings as it shaved more than $7.50 a barrel on average off the price Exxon received for its oil worldwide.

Income from downstream operations improved however, as stronger marketing margins in most geographic areas and improved European refining margins were offset by weaker refining margins in Asia-Pacific and the US.

Exxon's peers are expected to report more severe earnings declines on a percentage basis. Earnings for the leading US oil groups are expected to be down an average of 54 per cent in the fourth quarter of 1998 from a year ago, according to analysts at BT Alex Brown in Baltimore.

Data services help to lift SBC

By Richard Waters in New York

The data and wireless revolutions that have injected a new spurt of growth into the US telecommunications sector helped SBC Communications, the Texas-based Baby Bell, to beat Wall Street's earnings expectations.

Along with Ameritech, the Midwest local carrier it has agreed to buy, the company yesterday reported earnings that reflected another quarter of robust demand for new services.

For SBC, that included a 27 per cent increase in revenues from data services: for the year as a whole, data revenues climbed by nearly a third, and accounted for $2.2bn of its $25.7bn.

The carrier also notched up another 30 per cent gain in revenues from "vertical" services such as Caller ID. These amounted to $1.9bn for the year. The number of wireless subscribers rose by over 900,000 to 5.9m.

Newer services helped SBC to increase its revenues by 8 per cent during the final quarter, to $7.7bn. Excluding one-off items, net income rose 20 per cent, to nearly $1.1bn, with earnings per share up by a similar amount to 55 cents.

Chicago-based Ameritech also saw a new burst of growth from data: revenues from these services for last year reached $1.7bn and accounted for a third of Ameritech's growth for the year, said Dick Notebaert, chief executive. The company's wireless customers increased by 13 per cent to 3.6m.

Overall, Ameritech reported net income of $684m, or 61 cents a share, an increase of 12 per cent.

● *Sprint yesterday put the losses for its new national wireless network at $1.59bn-$1.61bn for last year, but said that it was pressing ahead with a $500m public offering for the unit.*

Investment in the network, Sprint PCS, pushed its losses before interest, taxes, depreciation and amortisation to $430m-$450m in the final quarter, against $350m in the previous three months.

Monsanto slides into the red

By Nikki Tait in Chicago

Restructuring and write-down charges sent Monsanto, the acquisitive US agriproducts, biotechnology and pharmaceuticals group, into the red in the fourth quarter of 1998.

The St Louis-based company, which saw plans for a $80bn merger with the larger American Home Products group fall apart last year, reported an after-tax loss from continuing operations of $603m on sales of $2.1bn.

A year ago, on the same basis, the company broke even with sales of $1.82bn. The fourth-quarter result left Monsanto posting a $250m loss for the year, with sales totalling $8.6bn.

But the company said that if the charges for restructuring and write-downs were excluded, it would have made a small $27m profit in the final quarter, giving earnings per share of about 5 cents.

That was in line with market forecasts, and the shares gained $⅝ to $40⅞.

Yesterday, Monsanto said it was still considering additional cost-saving measures which "may require further charges". Part of the $625m charge covered the cost of eliminating 1,700 jobs.

Last year the company's "growth spending" – which covers both R&D and product development and launches - surged to $2.1bn, a 52 per cent increase over 1997.

AIRLINES UAL INTEREST REFLECTS LARGER CARRIERS' HUNT FOR IMPROVED PERFORMANCE

Takeover tussle for America West

By Richard Waters and Dan Bögler in New York

A tussle looked set to break out yesterday for control of America West, a regional US airline whose extensive network in western states could make it an appealing match for several of the country's largest carriers.

The likely struggle follows news, late on Wednesday, that UAL, parent of United Airlines, was in talks with America West about a possible takeover. The smaller carrier also said it had been approached by a number of other airlines with ideas ranging from strategic alliances to a full merger.

America West's shares jumped 17 per cent yesterday morning, adding to the 8 per cent gain the day before as rumours of a takeover first spread. By yesterday, the shares stood at $22⅝, valuing the company at around $950m.

The interest in America West reflects a desperate hunt by the biggest US carriers for ways to boost their performance ahead of the next downturn. While the industry's profits remain high, share prices have taken a tumble as the stock market has prepared for cuts in business and leisure travelling.

"This is an industry with inadequate returns on capital and the obvious answer is consolidation," said Kevin Murphy, airline analyst at Morgan Stanley Dean Witter.

The difficulty for the biggest airlines is that few alliances or mergers would pass muster with Federal antitrust regulators. That consideration has added urgency to the pursuit of smaller carriers such as America West.

Yesterday, Continental Airlines claimed to hold the key to America West's future – and said that it was not about to give it up to a rival. It has first right to buy a block of shares which carry 50 per cent of America West's voting shares. Though worth less than $100m of the airline's total market value, the shares have special voting rights. Continental also owns 8 per cent of America West directly.

The widespread interest in America West is likely to bring a number of national carriers to the door of David Bonderman, an airline investor whose investment firm owns the special Class A shares that control half of the votes.

Mr Bonderman sold a controlling stake in Continental to Northwest Airlines last year – a deal that has drawn a lawsuit from the Justice Department, which is trying to keep the two carriers apart.

Through his earlier link with Continental, the larger airline had assumed first right to Mr Bonderman's America West stake.

Weak demand hits US airlines

By Tracy Corrigan in New York

US airlines have run into some heavy weather, after a year of strong and in many cases record earnings.

In the last two days, AMR – the parent of American Airlines – US Airways, Continental and United Airlines have all reported falls in fourth-quarter net income.

Low oil prices and full planes helped to boost profits over the year, but in recent months difficulties have emerged.

Airlines have been hit by weaker domestic demand, having already suffered a slowdown in Asia.

Furthermore, discount pricing by low-cost airlines such as Southwest has forced others to keep prices down.

UAL, the parent of United Airlines, the world's largest, reported net income of $189m, down from $231m, both before special charges. However, airlines are suffering from tough comparisons after a record fourth quarter in 1997.

UAL benefited from lower fuel costs, down 14 per cent, but the yield – the average price paid by passengers per seat mile – fell 3 per cent. The company said that as well as weaker Asian demand, particularly in Japan, the US market also experienced a slight drop in demand for travel.

Continental reported fourth-quarter net income of $66m, down from $73m. However, earnings per share of 91 cents were above estimates of 77 cents, according to First Call.

Southwest, the Dallas, Texas-based low-cost airline, bucked the trend, reporting fourth-quarter net income of $100.4m, up from $80.6m the previous year.

AMR reported on Wednesday that its fourth-quarter net earnings, excluding special items, of $167m were down from $195m a year ago.

US Airways' net income fell to $104m, down 78 per cent, reflecting a change in the company's tax position, while operating income fell 8.7 per cent.

Analysts said they expected the weakness seen in the fourth quarter to persist into this year, but the low price of oil would continue to offset some pricing pressures.

Airline stocks were mixed yesterday, though UAL's merger talks with America West boosted America West's share price by 17 per cent.

UAL fell 1 per cent to $60⅝. AMR was slightly weaker while Continental gained 3 per cent to $37½.

NEWS DIGEST

US BANKING

Russian turmoil pushes Bankers Trust into red

Bankers Trust, the US bank being acquired by Deutsche Bank, yesterday reported a loss in 1998 of $6m. Net income of $96m in the fourth quarter was down from $207m a year ago. But the bank lost $488m in the third quarter, when its high yield and emerging markets businesses were badly hit by financial market turmoil in the wake of Russia's default on its domestic debt in August. Fourth-quarter earnings of 89 cents a share, half last year's level, were substantially higher than analysts' estimates of 58 cents a share.

Frank Newman, chairman and chief executive officer, said fourth-quarter revenue of $1.43bn showed the bank's "renewed momentum as we prepare to join with Deutsche Bank in creating the world's largest bank".

Donaldson Lufkin & Jenrette, the US investment bank, reported fourth-quarter net income of $68.7m, 32 per cent below last year's fourth quarter. Joe Roby, president and chief executive officer, said the high yield trading problems of the third quarter continued well into the fourth, and earnings were also affected by the winding-down of emerging markets proprietary trading. "The new year has started off in great fashion," he said.

Earnings per share of 47 cents were in line with analysts' expectations. Earnings of $371m were the second best in its history, while total revenues set a record of $5.4bn, up from $4.6bn in 1997. **Tracy Corrigan, New York**

ALUMINIUM

Alcan to sell Irish plant

Alcan, the Canadian aluminium producer, yesterday agreed to sell its Aughinish alumina refinery in Ireland to Glencore, the Switzerland-based international trading group specialising in raw materials. The price was not disclosed but Alcan took a US$120m after-tax fourth-quarter write-down in anticipation of the sale.

It also reported a sharp drop in fourth-quarter earnings, reflecting lower aluminium ingot prices, although the results were in line with expectations. Fourth-quarter earnings fell to $89m, or 38 cents a share, from $146m, or 63 cents, a year ago. Revenues fell from $1.95bn to $1.9bn. Cost-cutting and increased shipments of fabricated goods could not fully offset a 20 per cent drop in LME aluminium prices during 1998.

Alcan said 1999 would be another challenging year, with western world aluminium demand in 1999 rising 0.9 per cent to 25.6m tonnes. Demand fell by 1.1 per cent in 1998 to 25.4m tonnes. **Scott Morrison, Toronto**

RETAILING

Sears Roebuck flat

Weak sales of clothing and soft goods prompted Sears Roebuck, the second largest retailer in the US, to report a fall in fourth-quarter sales and flat profits. Revenues were $12.2bn, down from $13.1bn. Arthur Martinez, chairman, said slow soft goods sales had offset fairly strong trends in home appliances and electronics, and that the quarterly clothing results had been "disappointing".

Fourth-quarter after-tax profits were $535m, or $1.39 a share, compared with $536m, or $1.35, previously. The latter figures, however, included one-off items, and Sears said that there was an underlying improvement of 14.7 per cent in earnings per share, to about $1.48, mainly as a result of the better performance of its recently-troubled credit business. That underlying figure was slightly better than the market had predicted, with analysts' forecasts about $1.45. Sears shares rose $⅛ to $42½ yesterday.
Nikki Tait, Chicago

ENGINEERING

Utd Tech beats forecasts

Fourth-quarter earnings at United Technologies, maker of Pratt & Whitney aircraft engines, Otis elevators and Sikorsky helicopters, beat forecasts with an 18 per cent rise to $287m after $244m last time. Earnings per share were $1.16 compared with 97 cents and Wall Street predictions of about $1.11, and George David, chief executive, said he expected a further 15 per cent growth in the current year.

Full-year results, which included a 20 per cent earnings rise, marked the fifth consecutive year of growth of 20 per cent or more, he added, and were all the more creditable since the company took restructuring charges of $330m.

The company, which is considering the sale of its automotive components arm and yesterday named Goldman Sachs to explore alternatives, said quarterly profits at the division fell 43 per cent.
Christopher Parkes, Los Angeles

PHARMACEUTICALS MOMENTUM LOST

Novartis shares slip as sales growth halves

By William Hall in Zurich

Novartis shares fell sharply yesterday after it reported sales in its core pharmaceuticals business grew by 6 per cent in 1998, or nearly half the rate of growth in its first year of operation following its creation from the 1996 merger of Ciba and Sandoz.

Novartis's profits have been growing strongly on the back of the cost-savings from the merger and it expects a "marked improvement" in 1998 net income. In 1997 it increased net income by 43 per cent, to SFr5.2bn, and most analysts expect it to earn about SFr6bn ($4.32bn) in 1998.

But there has been concern that its success in cutting costs and boosting margins has led to a loss of sales momentum in its pharmaceuticals business, which prides itself on having one of the best drug pipelines in the industry. In the first half of 1998 pharmaceutical sales in local currency terms grew 3 per cent, compared with a 10 per cent growth in the first half of 1997.

However, a 14 per cent jump in Novartis's pharmaceutical sales in the third quarter of 1998 was heralded as evidence that pharma sales growth was picking up momentum as new drugs were rolled out. So analysts were disappointed by the news that pharma sales growth had slowed to 3 per cent in the final quarter of 1998.

Raymond Breu, Novartis chief financial officer, said that too much weight should not be attached to one quarter's figures and the underlying growth rate in the second half was 9 per cent.

He said that there had been a slight slowdown in the US and Brazil but he did not see any signs of a large downturn in Europe, Novartis's most important market.

Sales of Sandimmun/Neoral, Novartis's biggest drug, grew 5 per cent to SFr1.8bn. Other growth drivers were Aredia, a cancer drug, which grew 61 per cent, and Cibacen, a hypertension drug, which grew 27 per cent. Diovan and Co-Diovan, a new class of hypertensives, posted sales of SFr409m.

Healthcare sales grew 7 per cent to SFr17.5bn, agribusiness sales rose 4 per cent to SFr8.4bn in 1998, and consumer health sales rose 3 per cent, to SFr5.3bn. Novartis shares fell SFr164 to end at SFr2,715 yesterday.

Lego builds on its values despite the high-tech toys

Danish group predicts 1998 losses but its 'play and learn' approach may yet win through, **writes Clare MacCarthy**

Running the world's fifth largest toymaker may be a lot of fun, but executives at Lego have discovered it is far from child's play. After 15 consecutive years of stronger revenues and higher profits, Denmark's Lego Group saw earnings plunge in 1997.

Now, for 1998, Kjeld Kirk Kristiansen, president, chief executive and main shareholder of the unlisted company, said yesterday that he expected its bottom line to be as much as DKr300m ($47m) in the red.

Although families in the industrialised world have greater spending power and bigger appetites for new toys than ever before, the Danish company has been forced to plan redundancy for up to 10 per cent of its workforce.

Part of the problem for the world's toy industry is that new generations of children are no longer content with the train sets or dolls their parents played with. The cyber-kids want Santa Claus to bring them the newest, sharpest, high-tech playthings available on the market.

Critics of Lego say the Danish toymaker has relied too much and for too long on its original core product – the interlocking building block – and has not been quick enough to produce high-tech products for the new generation.

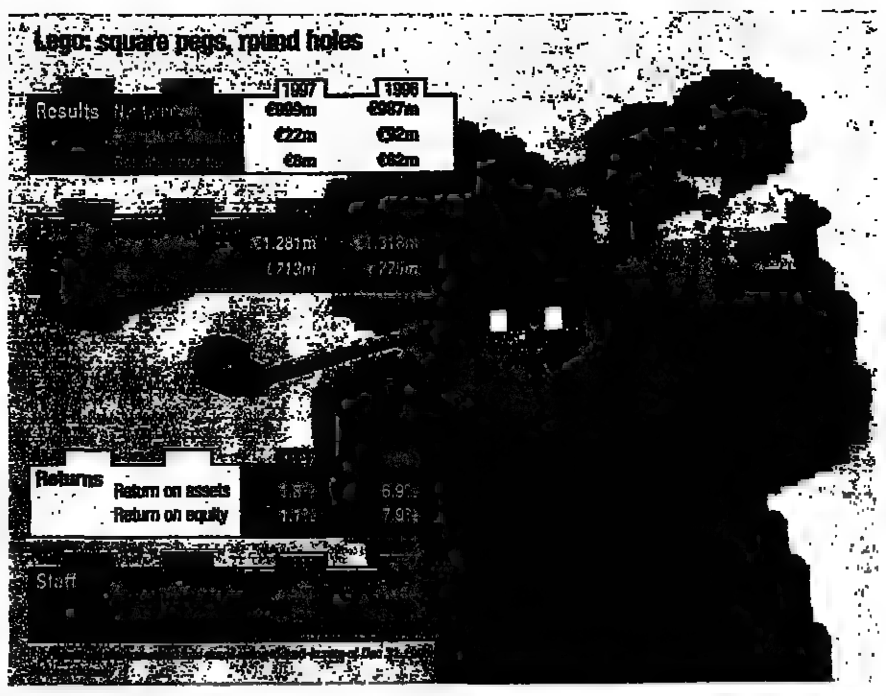
Jill Krutick, an equity analyst at Salomon Smith Barney in New York, explains that children are outgrowing traditional toys at a lower age as the internet takes hold, and more and more technology-based products come on the market.

This is no playground. Toys are big business, and the total market is worth an estimated $50bn.

Lego is not the only large player feeling the pinch in this increasingly competitive environment.

Ms Krutick, one of very few equity analysts specialising in toys, says the two driving forces in the business, the US toy manufacturers Mattel and Hasbro, are facing rough patches of their own.

Mattel, whose most famous product is the Barbie doll, "has a lack of hip products", Ms Krutick says. And though Hasbro boasts an extensive and developing product range, analysts question whether its Tonka toy truck and Scrabble and Monopoly board games will continue tempting children to spend their pocket money.



Lego, however, blames its present predicament not on changing fashion but on its own inability to streamline its corporate structure swiftly enough.

Mr Kristiansen said Lego was not falling behind in the high-tech toy game. He said that its new Mindstorms product range, for example – which combines robotics with the Lego building system – had been well received and had "tremendous potential".

But perhaps of greater value to the company in the longer term is Lego's perception of itself and its market. "We don't view our products as just toys," Mr Kristiansen said.

The famous little building block with which Mr Kristiansen's grandfather started constructing his empire in 1954 was designed to stimulate children's creativity.

This philosophy – combining children's desire to play with their need to learn – remains fundamental to Lego's strategy, and only toys which meet both criteria ever make it to the production line.

According to Mr Kristiansen, it is Lego's sense of values that makes it such a strong brand name and "our growth strategy is to use these values".

Despite the group's current need to trim the sails, its educational approach could keep Lego on the wish-lists to Santa for a long time.

In a world with increasingly affluent and educationally aware parents, Lego's "play and learn" philosophy may yet give it the competitive edge needed to stay in the game.

NEWS DIGEST

TV AND CINEMA

Pathé stock rises as TF1 acquires 9% holding

Shares in Pathé, the French television and cinema group, rose sharply yesterday after the announcement that TF1, France's biggest TV company, had acquired an 8.98 per cent stake.

The move, which could could spark a battle for control of Pathé, drove its shares 15.5 per cent higher to €300.3, after trading was suspended twice on the Paris stock market for excessive volatility. Shares in Gaumont, the other main French cinema group, closed 7.3 per cent higher at €59.

The transaction is set to revive tensions between Jérôme Seydoux, the chairman whose family owns 29 per cent of Pathé, and his second largest shareholder, Vincent Bolloré, the Breton financier.

Last month, Mr Bolloré took Mr Seydoux by surprise when he acquired almost 20 per cent of Pathé for roughly FFr2bn (€305m, $353m). The purchase followed the sale by Mr Bolloré of his 12.6 per cent stake in Bouygues, TF1's controlling shareholder, after a lengthy dispute over strategy with the Bouygues family.

Mr Bolloré has said his investment in Pathé was "financial". With a market capitalisation of less than FFr10bn before the deal, Pathé, whose 17 per cent stake in Rupert Murdoch's BSkyB satellite TV was valued at more than FFr12bn, is considered undervalued. However, Mr Bolloré did not rule out adopting a more aggressive strategy should Pathé's shareholding structure change.
Samer Iskandar, Paris

FOODS

Nestlé shares tumble

Shares in Nestlé, the world's largest foods group, fell sharply yesterday following a mysterious slump in sales in the final two months of 1998 and evidence that the group was unlikely to achieve its 4 per cent annual sales growth target in 1999.

Mario Corti, Nestlé finance director, told analysts yesterday that the company was sticking to its long-term target of 4 per cent underlying sales growth, but it was more interested in boosting margins than volume in the short term.

Nestlé's disclosure that its sales grew only 3.3 per cent in 1998 comes less than two months after Peter Brabeck, its new chief executive, said he was "confident" that it would achieve its 4 per cent growth target in 1998. Nestlé's shares enjoyed a substantial re-rating last year on the belief that Mr Brabeck, a marketing man, could reverse Nestlé's recent lacklustre sales growth.

It was the company's only published target and analysts are puzzled by the loss of sales momentum in the final two months. Mr Corti said Russian sales were SFr300m ($216m) below budget, blackmail attempts in Germany and Italy cost SFr100m in lost sales, and the Asian financial crisis cost another SFr100m. However, this is not enough to explain the scale of the undershooting and it has dented investor confidence in the the adequacy of Nestlé's internal sales forecasting.

James Amoroso of Julius Baer said it showed that Nestlé was not the "recession-resistant" machine that previous sales data had indicated. He expected its 1998 earnings per share to fall 6 per cent to SFr95.4. Nestlé shares fell SFr107, or 4.6 per cent, to SFr2,550.
William Hall, Zurich

NORWAY

Oslo to cut stakes in banks

The Norwegian government has revived its planned offering of about NKr6bn ($808m) worth of the its shares in the country's two largest banks, Den norske Bank (DnB) and Christiania Bank.

Oslo delayed the sale last year citing poor market conditions. But it now plans to reduce its more than 50 per cent stake in each bank to one-third this year, said Jan Hopland, managing director of the government bank investment fund, the body responsible for co-ordinating the sale. It yesterday appointed Salomon Smith Barney as global adviser for the sale.

The fund has since decided to push forward its reduction in DnB shares to this year, in parallel with a reduction in its Christiania Bank shares from 51 per cent to one third, because of improved market conditions.
Valeria Sköld, Oslo

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Repsol eyes front-runners with YPF buy

By David White in Madrid

Repsol, the Spanish oil company, has shifted up a gear by becoming the main shareholder and prospective future owner of Argentina's YPF, Latin America's biggest private-sector oil and gas concern. It is, say industry experts, a calculated but bold move in the circumstances.

Its aim is to bring Repsol, itself fully privatised less than two years ago, out of the also-ran class of international oil companies – still well behind Exxon-Mobil, Royal Dutch Shell and BP Amoco, but in the same bracket by market capitalisation as Total/PetroFina, Texaco or Elf Aquitaine.

By clinching a stake of almost 15 per cent offered by the Argentine government on Wednesday, for $2.01bn, it took the first step towards integrating the two companies through a possible full takeover. Full ownership on the same basis would be worth $13.4bn.

The initial stake is already the biggest single investment Repsol has ever made. It was able to get it at the $38-a-share starting price because all five of the other companies which showed interest – BP Amoco, Italy's ENI, Enron and Consolidated Natural Gas of the US and the Argentine Pérez Companc group – decided not to bid. The price, 30 per cent over YPF's traded level at the start of the week, was already considered high, given the recent state of financial and oil markets.

In a country where selling a former state-run monopoly to foreign interests raises sensitive political issues, and at a time when oil prices have been in the doldrums and financial panics contagious enough to make most companies think twice before investing in Latin America, this was not something for the faint-hearted.

The "substantial increase" in Latin American exposure earned a warning from Moody's, the rating agency, which yesterday put Repsol's long-term debt and preferred stock ratings under review for possible downgrade. But Moody's recognised the move had "commercial logic".

Repsol sees itself becoming a more balanced group with a similar mix of activities to other oil majors. Its reserves and production have been relatively undersized, with three-quarters of turnover coming from refining and marketing. YPF's upstream strength is seen complementing Repsol's in downstream operations.

The Spanish company expects cost savings in Latin American countries where the two have been competing. YPF, matching its own profile as a gas as well as oil group, offers a quick way of fulfilling its ambitions for building up its international presence, with emphasis on Latin America.

Since Alfonso Cortina, Repsol chairman, took over in mid-1996, the group has invested $3bn in the region, building up majority ownership of Astra, Argentina's third largest oil concern, taking control of Peru's main refinery, moving into gas distribution and buying petrol stations.

Repsol's YPF outlay comes in addition to $3bn it was already planning to invest in the region up to 2002.

Top 10 oil companies

	Market capitalisation ($bn)
Mobil/Exxon	247.61
BP-Amoco	146.35
Royal Dutch/Shell	161.31
Chevron	52.80
Eni	48.21
PetroFina/Total	35.48
Elf	28.67
Texaco	27.48
Arco	19.84
Repsol	16.04

Source: BT Alex. Brown

ASIA FALLING DEMAND HAS PUT THE REGION'S STEEL INDUSTRY IN A SPIN, AND REVERBERATIONS ARE SPREADING ROUND THE GLOBE

Economic woes beset Asian steelmakers

By our Asia staff

The cranes perched over most of Asia's empty construction sites are static. The automotive factories are, at best, working well below capacity, at worst mothballed.

These industries, the two biggest customers for the region's steel industry, are stricken by recession, contributing to a 9.3 per cent year-on-year plunge in world steel production during November, one of the biggest drops on record.

The result is that Asia's steel makers are reeling, and the reverberations are spreading round the globe.

The biggest danger is that the crisis in Asia's steel sector could ignite a damaging trade war. International flows of steel have become increasingly volatile as Asian manufacturers try to offset slack domestic demand to export their way out of trouble.

Bill Clinton, US President, has already warned Japan about dumping. Yesterday Keizo Obuchi, Japan's prime minister, felt obliged to appeal for calm.

President Clinton's alarm is understandable. In October, US net steel imports jumped 56 per cent year-on-year to 4.1m tonnes, the second highest monthly total ever. South Korean US exports surged 56 per cent, those from Australia 98 per cent, from Japan 219 per cent, and those from China 245 per cent.

Operating rates at US mills in November and December dropped to 72 per cent at one stage, compared with 96 per cent at the start of the year.

Within Asia, too, there have been huge distortions of trade, exacerbated by the big currency devaluations that rocked the region last year.

China, which did not devalue its currency, suffered a 26 per cent collapse in exports to just 2.98m tonnes during the first 11 months of 1998.

Officials at Capital Iron and Steel Works in Beijing, commonly known as Shougang, explain: "In the past, Shougang could export 700,000-800,000 tonnes of steel products each year, most of which went to south-east Asia. But our products have become more expensive since the beginning of last year because of the renminbi. Even if we could sell our products abroad, there would be no profit."

Similarly, Taiwan, whose currency is also pegged to the US dollar, has suffered. In recent years, the island's steelmakers have faced dumping charges in the US, Europe, South Africa, Canada and the Philippines.

But late last year, the island reversed its traditional role in trade disputes and imposed anti-dumping tariffs on steel beams imported from Japan and on products from Poland, Russia, India and South Korea. Most regional manufacturers have reacted to low demand by slashing production.

Akira Chihaya, president of Nippon Steel, the world's largest steel maker and chairman of the Japan Iron and Steel Federation, estimates his country's output dropped to 91m tonnes last year, and says it could be 92m tonnes this year. That compares with 102.8m tonnes in 1997.

Similarly, Broken Hill Proprietary, the largest steel maker in New Zealand and Australia, announced on Tuesday it had cut production during December by 11 per cent year-on-year. The bureau of agricultural and resource economics estimates Australian steel production will fall 4 per cent this year to 8.7m tonnes.

In China, however, Baosteel, the Shanghai-based producer, raised output last year, but the 1.3m tonne increase to 10.16m tonnes could do little to offset the decline in exports and the downward pressure on prices at home.

Despite the cuts in production, supply continues to outstrip demand and prices have fallen sharply.

China Steel, Taiwan's only integrated manufacturer, has cut prices of standard hot-rolled product from T$10,000 a year ago to just T$8,000 ($248) a tonne. Favoured customers are offered a price of just T$6,800.

Similarly, stainless steel prices in December were just HK$1,100 ($142) a tonne against HK$1,550 at the start of the year. Production cutbacks in Japan had helped it recover from a year low of HK$975. But in most cases, prices remain below production costs.

The collapse in volumes and prices has ensured that the regions' steel makers, almost without exception, recorded an abysmal year.

Japan's five largest steel manufacturers are expecting losses this year, apart from Nippon Steel, which revised its earnings upward after selling its semiconductor business to a Taiwanese chipmaker. NKK, the number two steel maker, has warned of Y88bn ($775m) losses after absorbing Toa Steel, its failed electric furnace subsidiary, last autumn.

Baosteel, which has historically been the most profitable company in the Chinese steel sector, is expected to announce sharply lower earnings for 1998. Initial company figures show profits down by more than a half last year to about RMB1bn ($121m) compared with RMB2.2bn in 1997 and sales lower at RMB24.3bn (RMB29.3bn).

In Taiwan, China Steel's pre-tax profits fell from T$20.11bn to T$16.83bn last year, as prices were driven down by a flood of cheap imports and domestic oversupply.

The exception is South Korea's Posco, the world's second largest steel maker which this week announced record full-year profits of Won1,120bn ($187m), a jump of 54 per cent. Sales also reached record levels, up 14 per cent at Won11,140bn. Warburg Dillon Read expects earnings to decline only marginally this year.

One reason for Posco's record sales and profits was the collapse of the Won, from Won880 to Won1,800 against the dollar at the end of 1997. This boosted the volume of overseas exports as well as the foreign exchange value of those exports.

Posco decided to cut overseas sales by more than 5 per cent this year to avoid a trade conflict with the US, although exports to that country accounted for only 14.2 per cent of Posco's total non-domestic sales last year of 7.5m tonnes.

Manufacturers have also reacted to the profits collapse by attacking costs, giving raw materials suppliers a rough 12 months. The Australian authorities have cut their forecasts for coal and iron ore export values and volumes, and are predicting flat world consumption.

Coking coal prices for 1999 delivery in Japan have fallen 18 per cent since last year. In Taiwan, producers have trimmed personnel and promotion costs. China Steel aims to cut costs by up to 20 per cent.

But so far, cost cutting has not encompassed removing capacity.

For example, Japan, despite years of restructuring, is plagued by about 20 per cent excess capacity, according to Kenichiro Yoshida, steel analyst at Salomon Smith Barney in Tokyo.

Nippon Steel has at least rid itself of its lossmaking semiconductor division, but otherwise the Japanese industry shows few signs of rationalisation.

Glimmers of hope have been provided by the decision of many of the region's manufacturers to put additional capacity on hold.

The Chinese government forbade the construction of new iron and steel plants late last year. In South Korea, Posco has cancelled planned investments in several plants, although it has raised research and development spending to maintain a lead in high-quality steel products.

Such postponements are not enough. Global crude steel production last year fell 4 per cent to 760m tonnes, according to brokers Warburg Dillon Read in Tokyo. They expect it to fall 2 per cent this year, as output is cut and maintenance shut-down periods are extended.

Brokers predict prices in some grades could stabilise in the first half and might rise slightly in the second half. But average price of hot rolled coil in the US will be $315 a tonne this year, against $340 last year and $425 in 1995, according to the brokers. With demand likely to remain subdued and prices in the mire, the outlook for most of Asia's steelmakers is grim.

Reporting by Paul Abrahams in Tokyo, John Burton in Seoul, Mure Dickie in Taipei, James Harding in Shanghai, Alexandra Harney in Tokyo and Gwen Robinson in Sydney.

PROPERTY MARKET

NORMA COHEN - **THE PROPERTY MARKET**

Taking a pan-European line

The ultimate local business is beginning to look further afield

Development Securities, the quoted UK development specialist, and MAB Groep, a large Dutch property developer, this week announced what they called a strategic alliance to undertake joint projects in Europe.

"With the advent of European currency integration, we see this relationship as a timely move," said Martin Landau, deputy chairman of Development Securities.

Idiosyncratic? In what is arguably the ultimate local business, property is showing definite signs of becoming pan-European.

Recently, two leading teams of UK real estate securities analysts, at Credit Suisse First Boston and HSBC Securities, said they intended to spread their research to cover large listed property companies in the rest of Europe.

"The reason we are moving that way is that 50 per cent of our target client list already want a pan-European service," says Andrew Penny, analyst at HSBC. "If this trend continues, all of our clients will want it that way."

Institutional investors, he adds, are increasingly benchmarking their performances against broader international indices, such as the Dow Jones Stoxx series, and are unlikely to be investors in companies whose market capitalisation is too small to be included in those universes. This means that smaller FTSE 250 stocks such as Bradford, Burford and Brixton may be demoted in investors' portfolios, and only those with a particular specialisation or unusually strong management will be able to attract attention.

Thus, the vast majority of UK property companies will have increasing difficulty competing for capital, and analysts who research them will find their audiences shrinking.

Cynics may point out that the investment banks which employ these analysts are in business to do deals. The stubborn refusal of the UK quoted property sector to consolidate means bankers have to look elsewhere for business.

The recent move by Italian insurer Ina, which spun off its property assets to create Italy's largest listed property company, is precisely the sort of business in which banks want to participate.

A bank with a pan-European property research team on hand is in a strong position to compete.

Analysts at CSFB also argue that real estate will become increasingly pan-European, despite the fact that the underlying economies of EU member states and their real estate cycles remain dislocated.

CSFB is forecasting increasing liquidity in the shares of European property companies. This partly reflects a shift among European pension fund managers away from bonds and into equities, as they seek higher returns.

Quoted European property companies outside the UK are few, and the UK quoted sector accounts for half the market capitalisation of the Stoxx index.

The low inflationary environment promised by the new European Central Bank means property investors can no longer rely on being bailed out by rising prices.

"Lower nominal property returns should force property companies to move away from being hunter-gatherers and fallow-asset collectors into operating companies, requiring the cost-of-capital advantage and economies of scale of the US Real Estate Investment Trusts," the CSFB analysts say.

Relatively low debt financing costs and emerging opportunities in European regions are also likely to spur the growth of companies. Floris Van Dijkum, real estate securities analyst at Morgan Stanley Dean Witter (who already produces pan-European research), says US investors have long viewed Europe as a single zone, albeit one with varying currency risks.

The euro, however, minimises those risks, making it easier for investors to compare companies.

But Mr Van Dijkum cautions against concluding that UK property companies will begin collecting assets across Europe. After all, real estate markets are localised, even if currencies are not.

One fundamental characteristic of the US Reit market is that so many of the highly rated players have concentrated on a single local market and become the dominant operators within it. Reckson Associates has been the leading office and industrial real estate company on New York's Long Island, while Spieker Properties is a highly regarded office and industrial property company which dominates the Silicon Valley market in California.

Mr Van Dijkum says there is no reason to assume that pan-European activity will predominate any more than US Reit operators invest across America.

However, he says, some property types are likely to lend themselves particularly well to transcontinental investment, and any company contemplating cross-border expansion can do so successfully only by concentrating on a single property type.

Mr Van Dijkum says retail property developers are in a strong position to grow pan-European companies. "Retailers tend to be the same wherever they go," Mr Van Dijkum argues. "Marks & Spencer and The Gap are the same in any country and, as a landlord, you tend to have the same relationship with these tenants everywhere."

Indeed, in the US, Simon Properties and General Growth Properties, the first and third largest shopping mall operators in the country, are among the most successful nationwide Reits.

"That's how you get pricing power," says Mr Van Dijkum. Retailers anxious to rent space in these companies' best malls can be pressured to take space in secondary properties as well.

Some of the largest US retail Reits have caught on to this and are scouring Europe for opportunities. Simon Properties has taken a stake in Groupe Bég, a French developer which builds for the hypermarket chain Carrefour in Europe.

Likewise, industrial distribution property providers can also benefit from pan-European expansion, as the US Reit Pro-Logis has already done. Offices are more of a commodity product, argues Mr Van Dijkum, and less well suited for cross-border expansion.

He points to the Swedish-based Astica, which has exposure to the London, Paris and Brussels office markets. "It has never really taken off," he says.

But with investors, developers and tenants increasingly focused on a pan-European marketplace, it is difficult to believe that property can remain a purely local business.

Dow Jones Stoxx
European stock index real estate components

	Country	%
Rodamco	Netherlands	0.08
Unim	Italy	0.04
GFC GPE. Fin. Con.	France	0.03
Metrovacesa	Spain	0.03
Simco R	France	0.03
Unibail R	France	0.03
Vallehermoso	Spain	0.03
Fonciere Lyonnaise	France	0.02
Sefimeg	France	0.02
Bail Investi.	France	0.01
Immeubles de France	France	0.01
Sophia	France	0.01
Total UK		0.34
Total Europe		0.34
Real estate sector		0.66

Source: Datastream/ICV

هكذا من الاصل

Provisions push Thai banks deep into loss

By Ted Bardacke in Bangkok

Thailand's leading banks reported huge full-year losses yesterday as provisioning for bad debt hit both profitability and capital ratios.

Despite the losses, the country's top two private banks appeared to have strengthened their balance sheets enough to sustain further losses to be incurred in debt restructuring and to resume lending.

Two mid-tier banks – Bank of Ayudhya and Thai Military Bank – which missed yesterday's deadline for reporting full-year earnings, were using delaying tactics to avoid raising capital until later in the year, analysts said.

Bank stocks fell 4.6 per cent yesterday, leading the Thai market as a whole to fall 2.3 per cent.

Bangkok Bank, the country's largest private bank, lost Bt49.5bn ($1.36bn) in 1998, compared with a profit of Bt4.2bn the year before. The bank said it had added Bt48.8bn in provisions for bad debt during the year, raising its provisioning level to 63 per cent of non-performing loans.

Under strengthened rules implemented by the Thai government last year, all banks must have provisions for 20 per cent of bad loans by the end of 1998, rising by 20 per cent every six months to 100 per cent at the end of 2000.

Thai Farmers Bank, the country's second largest private bank, said it lost Bt38.9bn in 1998, compared with a net profit of Bt800m the year before. It made Bt38.6bn worth of provisions in the year and recorded a permanent loss on securities of Bt9bn.

The bank said it had provisioned for 62 per cent of its non-performing loans, which stood at 37 per cent of all loans at the end of the year. This figure was up only slightly from 36 per cent at the end of the third quarter, indicating that the dramatic rise in non-performing loans is beginning to slow down, owing to debt restructuring and lower interest rates.

Thai Farmers' net interest margin increased to 1.7 per cent in the fourth quarter, up from just 0.3 per cent in the third quarter, according to Sriyan Pietersz of SG Asia Credit. This was likely to allay fears that rising non-performing loans could cause interest income to contract so much that banks would be losing money on deposits despite interest spreads of as much as six percentage points.

Nevertheless, there is concern that profitable Thai corporations will begin refinancing expensive bank debt on the domestic bond market, forcing local banks to shrink their portfolio of performing loans even further.

Siam Commercial Bank, the country's fourth largest bank, said it lost Bt12.9bn in 1998, compared with a profit of Bt3.2bn in 1997. The bank gave no details of its provisioning levels but it has applied for government assistance to raise new capital, which will require the bank to meet the end-2000 provisioning requirement immediately.

JAPAN INVESTMENT TRUST ARM TARGETED

Daido Mutual eyes purchase of LTCB unit

By Naoko Nakamae in Tokyo

Daido Mutual, a second-tier Japanese life assurer, is hoping to purchase the investment trust division of the Long-Term Credit Bank of Japan.

Yesterday's announcement highlights the degree to which Daido, like other troubled life-assurance groups, is scrambling to carve out a business strategy to ensure its survival as Big Bang financial deregulation gets under way.

Life assurers have been battered by plunging equity and land prices, falling bond yields and rising policy cancellations.

If successful, this would be the first sale of an LTCB operation since the group was placed under temporary state control last autumn and would boost the government's attempt to wrap up the affairs of the troubled group.

LTCB, which was nationalised as part of the government's drive to reform the banking sector, is trying to complete the sale of its subsidiaries and affiliates by the end of the fiscal year.

This timetable is considered excessively ambitious by many observers. However, the sale of LTCB will be a crucial test case for the government's ability to resolve quickly the banking sector's problems.

In a sign of the government's commitment to the process, LTCB recently revealed that it has asked Goldman Sachs to assist in the sale – the first time that a western firm has been appointed to such a politically sensitive job in the financial sector.

Daido Mutual, which is based in Osaka, yesterday said that it was attempting to strengthen its fund-management capabilities by means of the acquisition.

LTCB Investment Trust Management, established in 1980 and 94 per cent owned by the LTCB Group, had Y211bn ($1.86bn) of assets under management at the end of December.

The move follows Daido's recent announcement that it would form an alliance with the Tokyo-based Taiyo Mutual.

Daido yesterday refused to comment on the price of the acquisition. However, the Japanese media reported that it could cost about Y2.5bn.

Separately, Japan Leasing, a bankrupt subsidiary of LTCB, has indicated that it may sell its operations to GE Capital.

GE Capital has so far refused to comment on this, although Japan Leasing has indicated that it has also appointed Goldman Sachs to advise on this sale.

State bank calls default on Astra

By Sander Thoenes in Jakarta

Astra International, the Indonesian carmaker, yesterday saw efforts to be the country's first big company to restructure debt set back, when an Indonesian state bank joined Japanese banks in calling a default.

Bank Bumi Daya declared Astra in default over coupon payments on a Rp50bn convertible bond due earlier this month, echoing default calls on other loans by Japanese and Singapore banks. Analysts said two other big Japanese lenders to Astra were about to follow suit.

Astra is one of Indonesia's largest debtors, with $2bn in off-shore debt mainly to Japanese banks, and Rp2,000bn ($236m) in local debt. In October, the group presented creditors with detailed debt restructuring plans but stopped interest payments on 70 per cent of its loans.

However, some Japanese banks, many of which are struggling under a burden of mounting provisions, have insisted that Astra can afford interest payments, pointing at a rebound of the rupiah and strong income from non-core business.

Astra said some unnamed banks had offered to accept eventual payments of only 30 per cent of principal if interest payments resumed at once.

"But Astra does not want that," a spokesman added. "Astra wants to treat everyone the same. We offer to resume interest payments in January 2000 and still hope to reach an agreement by March. Our proposal has not changed."

The company is making an exception, however, for holders of Rp250bn in convertible bonds due next month. It said it had set aside $50m for buy-backs of most of these bonds, which, unlike most loans, were secured against real assets.

Analysts suggested Bumi Daya's default call was merely a formal response, required by banking regulations, to the other calls.

One analyst said the Japanese banks had no intention of suing either but were playing tough with Astra, a high-profile company, to persuade other debtors to become more co-operative.

He added that another motive to call a default was to discourage the sale of large blocks of Astra shares, obtained by the government from conglomerates in payment for large bank bailouts, which could alter majority shareholdings.

Some creditors want to block the bond buy-back and push for a speedier sale of non-core assets. But some of these non-core businesses finance the moribund car industry.

Toyota Motor set to join Formula 1

By Alexandra Harney in Tokyo

Toyota Motor yesterday announced it planned to join the Formula 1 racing circuit in an effort to remake its image as a young and sporty carmaker.

The move, which follows rival Honda's announcement last month that it would return to F1, was seen by analysts as an inexpensive way for Toyota to raise its brand image among younger buyers and in Europe, where F1 racing enjoys great popularity but where Toyota has suffered from a low profile.

Hiroshi Okuda, Toyota president, said he aimed to start design of an engine and chassis for a team racing on the international Grand Prix circuit in 2002 or 2003. Preparation would start this year.

Although Toyota executives would not comment on the size of the investment, analysts estimated the project would initially cost the company between $10m and $30m.

Toyota already participates in the World Rally Championship, the Le Mans 24-Hour Endurance Race, and the CART-sanctioned FedEx championship series, which are managed by subsidiaries in Japan, the US and Germany. It plans to increase investment to improve co-ordination between the group's racing business, but did not specify the amount.

The racing team would be based in Cologne, Germany, with Toyota team Europe, its World Rally Championship team, but the cars would be designed and developed in Japan by Toyota Technocraft, the Tokyo-based assembly and design subsidiary owned 85 per cent by Toyota, the company said.

Toyota and Honda are the only Japanese carmakers with full participation in F1 racing.

Yoshimi Inaba, director in charge of European operations, said that the move was also intended to raise awareness of the Toyota brand in Europe. "Toyota has been known as a very reliable, stable brand, but it lacks a certain youth and freshness element," he said.

Brand awareness would be one of the critical elements to the carmaker's drive for a larger share of the European market. Last week, Toyota launched the Vitz, a compact car it hopes will spearhead its expansion in Europe. Toyota holds a 3 per cent market share in that region.

Toyota executives said the move was also prompted by a desire to develop new technical skills by working on high-speed engines and with other engineers on the international circuit.

But analysts warned that benefits from participation in F1 were unlikely to show up quickly in Toyota's passenger cars.

"It is not very common for significant technical developments to come out of F1 racing," said Stephen Usher, auto analyst for Jardine Fleming in Tokyo.

Hiroshi Okuda: aims to start racing in 2002 or 2003 AP

Intel to invest in Korea chip group

By John Burton in Seoul

Samsung Electronics yesterday said Intel, the US chipmaker, had signed a letter of intent to invest in South Korea's biggest semiconductor company by purchasing $100m of convertible bonds, equivalent to 1 per cent of Samsung's outstanding shares.

Intel, the world's largest chipmaker, will make the investment to secure a supply source for next-generation Rambus dynamic random access memory, or D-Ram, chips. Samsung, the world's largest D-Ram producer, promised to use the Intel funds for building Rambus D-Ram facilities.

The investment is prompted by Intel's concerns about a supply shortage of Rambus D-Rams as makers face cash-flow problems due to a price slump and have not invested adequately in new plants.

Intel invested $500m in Micron Technology of the US last October for Rambus D-Ram chips. Analysts said it was expected to invest another $400m in other memory chipmakers, including possibly Korea's Hyundai Electronics once it completed the takeover of its domestic rival, LG Semicon.

Hyundai Electronics yesterday said that it was planning to invest $170m this year to complete the construction of Rambus D-Ram plants.

Tan gives up direct management of PAL

Lucio Tan, the Filipino-Chinese business tycoon, relinquished direct management control of Philippine Airlines yesterday in an attempt to gain support from creditors for a rehabilitation plan, writes Tony Tassell in Manila.

The move by Mr Tan, who still controls 70 per cent of the equity of the ailing national flag carrier, was part of a management revamp following recruitment of five former executives of the Hong Kong-based Cathay Pacific to run the airline on an advisory basis.

Creditors have largely rejected the rehabilitation plan for PAL announced in December, which called for suspension of debt repayments and an equity injection of up to $150m. One of the stumbling blocks had been Mr Tan's management. He remains chairman.

Replacing him as chief executive and president will be Luis Juan Virata, the president of Exchange Capital Corp. Mr Virata is closely connected to Joseph Estrada, the Philippine president.

Much of the management of the airline will be directed by Peter Foster, a former Cathay Pacific executive, who has been appointed chief company adviser.

Three of the former Cathay Pacific officials, including Mr Foster, will also join the interim rehabilitation receiver.

Mr Foster said the airline would be in a position to make a payment to some secured creditors by the end of January but declined to specify the amount.

COMPANIES & FINANCE: UK

MEDIA THREE INSTITUTIONS MAY CALL FOR DAVID MONTGOMERY'S RESIGNATION

Attack on Mirror chief

By John Gapper

Leading shareholders in Mirror Group, the newspaper company, are pressing for the removal of David Montgomery, its chief executive, if he stands in the way of a takeover or merger with another group.

Three City institutions which hold 28 per cent of Mirror want its board to seek his resignation if he proves an obstacle. One shareholder has already written to ask it to consider appointing a new chief executive. The revolt against Mr Montgomery, who is blamed by some of the shareholders for blocking a possible merger with Trinity, the regional newspaper group, has come amid a public dispute over the future of the Mirror Group.

Talks with Trinity broke down this month, and have led to a division between Mr Montgomery and Sir Victor Blank, Mirror's non-executive chairman. Trinity wants Mr Montgomery to play a limited role in any merger.

Mr Montgomery will today meet Hermes, one of the investors that has expressed disquiet, to give it assurances that he is not an obstacle to a deal. This follows a meeting between the fund manager and Mirror directors yesterday.

Phillips & Drew Fund Management, which holds 22 per cent of Mirror, and Prudential Corporation, which has 5 per cent, have also voiced concern. Other shareholders say they want to see Mirror's board demonstrate that it is united.

One shareholder said it might call an extraordinary meeting of investors to force Mr Montgomery's resignation if it remained dissatisfied. "One person appears to be standing in the way of Mirror's progress," it said.

The moves came as Mirror's board rejected a £913m ($1.5bn) offer for the company from Regional Independent Newspapers, owned by the private equity firm Candover Investments. It said the offer level of 200p per share was "not adequate".

Lex, Page 24

Sears accepts increased offer from Green

By Peggy Hollinger

Sears surrendered yesterday to an increased offer from Philip Green, the retail entrepreneur whose daring bid for the struggling conglomerate drew initial derision from the market.

Mr Green, backed by the wealthy and reclusive Barclay brothers, increased his £519m cash bid for Sears by 6 per cent to £549m ($904m) – or 359p a share. The offer was unanimously recommended by the Sears board, which includes Lord Tebbit, the father of one of Mr Green's advisers.

It is understood that a deal was agreed between Philip Green and Sir Bob Reid, Sears chairman, late Wednesday night in a London hotel. This was hours after Mr Green's bid vehicle, January Investments, posted its offer document accusing the target's management of presiding over an "incredible shrinking company".

Analysts said the agreement was remarkable, coming just two weeks after the formal bid was launched. "Normally investors think it is against their interests to give up so early, but in this case they are mightily relieved," the analyst said.

Sears' record has drawn much criticism from the market, having underperformed the FTSE-100 by 85 per cent in the last 10 years. However, the 359p bid represents a 42 per cent premium to the share price the day before news of his bid plans emerged. The shares closed yesterday 7¼p up at 354p.

Both sides claimed to have delivered a good deal for shareholders. Sir Bob, who had claimed Sears was worth more than £519m, said the increased cash offer was "in line with the board's strategy to return value".

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albion	Yr to Sept 30	20.6	(21.6)	0.376	(0.957♥)	8.1	(23.8)	2.5	Mar 18	2.5	3.3	3.3
Daejan Hldgs	6 mths to Sept 30	15.7	(14.7)	12.6	(12.9)	54.2	(55.6)	19	Apr 13	19	-	42
Division	Yr to Oct 31	6.02	(8.68)	3.84L	(1.78L)	7.9L	(4.1L)	-	-	-	-	-
Grosvenor Land ɸ	6 mths to Sept 25	0.494	(0.267)	0.038	(0.026)	0.15†	(0.14)	-	-	-	-	-
JWE Telecom	6 mths to Oct 2	12.1	(8.88)	0.414	(0.394♠)	1.52†	(1.64)	0.65	Apr 6	-	-	-
Lookers	Yr to Sept 30	585	(518)	8.6	(9)	15.6	(15.6)	5.65	Apr 30	5.65	8.25	8.25
Menzies (John)	6 mths to Oct 31	608	(712)	3.2	(0.2)	2.3	(1.2L)	4.8	Apr 8	4.8	-	15.2
Tadpole Technology	Yr to Sept 30	9.4	(13.4)	3.72L	(3.52L)	6.6L	(10.3L)	-	-	-	-	-
WF Electrical	6 mths to Oct 31	70.4	(61.9)	4.37	(3.64)	20.97	(17.52)	5.25	Apr 9	4.7	-	17.7
Wiggins	6 mths to Sept 30	5.3	(9.6)	0.834	(1.12)	0.08†	(0.16)	-	-	-	-	-
Zeneca	9 mths to Sept 30	4,150	(3,855)	817♠	(884)	58.7	(62.5)	-	-	-	-	38.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ɸAim stock.

Wolves lifts cash offer for Marston

By David Blackwell

Wolverhampton & Dudley Breweries yesterday raised the stakes in the bid battle with rival regional brewer Marston Thompson & Evershed by increasing the cash element of its offer.

Analysts suggested that Wolves had done enough to overcome the so-called Pac-man defence launched by Marston two weeks ago. "All being equal the balance has swung back in favour of Wolves – Marston shareholders have now been offered more cash and fewer shares," said one.

Wolves, making its final offer, has lifted the cash element from 182p to 230p for each Marston share. It also reduced the share element from 0.235 to 0.175 new Wolves shares for each Marston share. Wolves valued the offer at 308.1p a share and its target at £289m against £262m in November. But the news knocked 7¼p off Wolves shares, which closed at 427½p, valuing the target at £279m.

Marston attacked the revised offer as a further attempt to bounce shareholders in both companies into a hurried decision. Wolves' need for a short-term boost to earnings "has long been apparent," said Nick Letchet, Marston's chief executive.

As Wolves moved into action yesterday the ink was scarcely dry on the first offer document from Marston, published late on Wednesday. Marston is offering its own shareholders a special dividend of 123p and Wolves shareholders a mix of 246p cash and two new Marston shares for each Wolves share. Marston shares closed yesterday off 5p at 238½p, valuing the target at £319m.

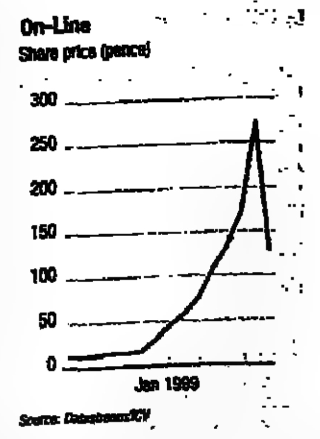
Marston's offer will lapse if Wolves wins more than 50 per cent of the shares. The closing date for the Wolves offer is now February 4 – the day before Marston's extraordinary meeting seeking approval for its bid.

Wolves said it was hoping to avoid the further costs that would arise if Marston's EGM went ahead. Its own costs have reached more than £16m, and it expects them to total about £30m if its bid is successful.

COMMENT

On-Line

On-Line, a little-known internet games maker, complained 10 days ago that two directors had reluctantly agreed to sell shares to alleviate a stock shortage. As the share price was rising by the hour, their irritation looked understandable. But one director, Clement Chambers, has since sold 25 per cent of the company's stock, leaving this argument looking thin. As 80 per cent of the company was in the directors' hands, they bear some of the blame for poor liquidity. Reducing their stakes seems sensible. But the board has promised Mr Chambers shares or options at the same price as those he sold, so he can restore his holding.



This raises novel corporate governance questions for minority shareholders. At the very least, the company should explain why it has diluted their holdings to protect those of Mr Chambers, and what criteria are attached to the options and shares they have promised him.

To cap it all, On-Line admitted last night that the recent share price rise was probably not justified. Such candour would have been welcome before directors sold some shares near the top.

Sears

In Sears' view, it was all a matter of holding out for a fair price. In reality, *Philips & Drew's* decision to pull the rug by accepting the £548m offered by January Investments yesterday was the main reason for the retailer's tame acceptance of the raised bid. The proactive P&D has secured a clean exit from a painful investment, at about the right price.

Despite the board's last minute efforts, it could find no venture capital buyer or corporate white knight prepared to take on the whole group. A break-up could have created 10-15 per cent more value, but investors were in no mood to accept the risks of such a strategy – particularly given the constraints of the bid timetable. It is hard to muster more than half a cheer for Sears, though, given its miserable share price performance this decade.

Sears may be relieved, but there will be losers in this deal. A Sears break-up was the best hope for N Brown, the catalogue retailer, to get its hands on Freemans, Sears' home shopping business. If, as is rumoured, January plans to sell Freemans to Otto Versand, *of Germany*, N Brown faces either a costly auction or a lonely future.

On-Line shows Net volatility

By Andrew Edgecliffe-Johnson and Christopher Price

On-Line, a small Aim-listed computer games company, gave a vivid illustration of the volatility of Internet-related stocks yesterday, as its shares plunged 63 per cent to 129p on further share sales by Clement Chambers, its marketing director.

Mr Chambers also showed what a lucrative market the company's executives are operating in when it emerged that he has made more than £1m in share disposals in the past 10 days.

The share price fall reversed the rise since Monday, but the closing price was still 10 times its level as recently as January 4.

On-Line put out two statements yesterday. The first said the shortage of shares in the market had "forced" Mr Chambers to sell some of his stake. After the market closed, On-Line said although it had struck some minor deals, the share price increases reflected investors' valuations of the company in comparison to US internet stocks.

Mr Chambers' latest sales of 370,000 shares at prices between 150p and 250p means he has made eight such disposals since January 11, when the company said he had "reluctantly" sold 50,000 shares at 30p for the same reason. He has now sold 830,000 shares for £1.14m, cutting his holding from more than 38 per cent to 14 per cent.

The company said it would issue Mr Chambers with "options or shares at the same price at which the shares were released to the market".

L&G lifts new business figures

By Christopher Brown-Humes

A near doubling of new pension fund business added sparkle to a strong set of 1998 new business figures from Legal & General yesterday.

The life assurer received £11.3bn ($18.6bn) in new pension fund mandates last year, up 87 per cent on 1997.

It now boasts it is Europe's fastest growing fund manager, helped by the strength of its index tracking business. It took £2bn in new mandates in 1995, rising to £4bn in 1996 and £6bn in 1997.

L&G and Barclays Global Investors are Europe's two largest index-tracking pension fund managers.

Worldwide new business at the group rose 21 per cent to £494m.

● The UK life and investment operations of Zurich Financial Services yesterday announced an 18 per cent increase in new business during 1998 to £435m ($718m), writes Andrew Bolger.

ZFS was the product of last year's £23bn merger of BAT's financial services business and Zurich Group, *Europe's third largest insurer*. The figures include UK results from life companies Allied Dunbar, Sterling Assurance and Zurich Life.

Zeneca moves to hasten merger with Astra

By David Pilling in London and Tim Burt in Stockholm

Zeneca of the UK has taken another step towards combining with Astra of Sweden through a $35bn merger by calling an extraordinary meeting on February 18 to seek shareholders' approval.

Analysts said the merger had reached its "danger period" in terms of a possible counter-bid for Zeneca, with the focus on Glaxo Wellcome. Sir David Barnes, Zeneca's chief executive, said: "Hypothetically it is possible for someone to act as an interloper. But I don't think that is likely to happen."

Glaxo or anyone else would "have to show that there were real, enduring long-term prospects that were better for Zeneca shareholders than the transaction we have proposed", said Sir David, who will become executive deputy chairman of the enlarged group.

Zeneca's offer document, issued yesterday, revealed the cost of the transaction at a total of just over £100m ($165m) for both companies. Zeneca, which was advised by Goldman Sachs will pay £58m, with Astra, advised by Morgan Stanley, paying Skr650m ($70m).

Sir David said Astra and Zeneca had proved their capacity to work together by issuing the offer document only 27 working days after the deal was announced.

The combined company, which will have half its sales in the US, will account in dollars. Shares will also be denominated in dollars, but UK investors will receive their dividends in sterling. The deal has been structured so Swedish shareholders do not have to pay stamp duty.

Astra said there would be restructuring charges of about SKr9.4bn, to be taken against AstraZeneca's 1999 results.

Zeneca announced pre-tax profits for the nine months to September of £845m, down 4 per cent, on sales of £4.15bn ($3.95bn). To harmonise dividends, Astra will make a full-year payment of Skr1.90, while Zeneca will pay a second interim of 28p.

EURO PRICES

EQUITIES

Investors start glancing towards exits

EUROPEAN OVERVIEW

By Bertrand Benoit

Nervous European markets facing poor economic prospects at home closed about 1 per cent lower after the Brazilian Real resumed its fall yesterday, rekindling fears of a crisis in emerging markets.

The green light given by the Brazilian parliament to the government's austerity programme failed to prevent a fresh dollar flight. The Real was down 6.5 per cent against the dollar to R$1.70 as European markets closed.

Meanwhile, more evidence of economic slowdown in Germany and the UK left investors wondering whether to rush for the exit or wait for interest rates to fall before cashing in and pulling out.

The Ifo institute published its December German business climate index yesterday, down 0.3 point to 91.4 from November, while the British Chambers of Commerce said domestic sales in the UK service sector had hit a six-year low.

"With the market trading at 22 times earnings, the bad company results we expect for February-March could send shares down 10 to 15 per cent," said Ian Harnett, European strategist at BT Alex Brown.

Other analysts, however, said such bearishness was unwarranted given the prospects of interest rate cuts, inside and outside the euro-zone.

"Valuations are at the top end of the comfort zone," said Richard Davidson, European equity strategist at Morgan Stanley. "But it is too early to pull out because of the phenomenal liquidity and the fact the Europe trades at a 30 per cent discount to the US."

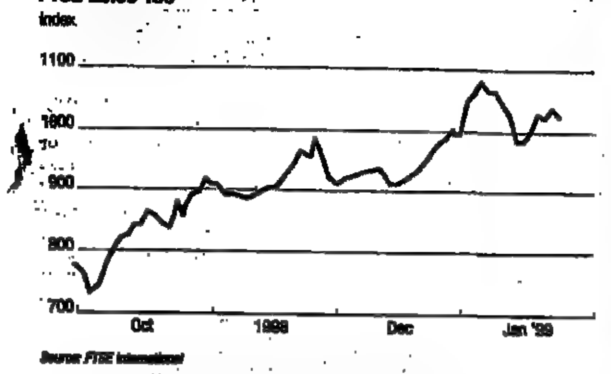
The FTSE Eurotop 300 lost 15.71 to 1,214.21, while the FTSE Eurotop 100 settled 38.41 lower to 2,793.23. The FTSE Ebloc index dropped 13.49 to 1,026.56.

Nestlé lost €62.30 to €1,591.52 on news of disappointing sales in 1998, sending shockwaves across the food sector. Danone lost €11.40 to €220.60, while Unilever shed €2.50 to €67.95.

France Telecom fell on profit-taking after Wednesday's rise, closing 20 cents off at €82.35, while Novartis lost €97.50 to €1,694.51 on lower-than-expected sales.

Zeneca, about to merge with Astra, lost 60 cents to €41.02 amid speculation of an imminent counterbid from Glaxo Wellcome or Roche.

FTSE Ebloc 100



Source: FTSE International

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Jan 21

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1214.21	-1.28	-15.71	2.24	0.38	1250.65
FTSE Eurotop 100	2793.23	-1.35	-38.41	2.31	1.55	1001.88
FTSE Ebloc 100	1026.56	-1.30	-13.49	2.01	0.34	1042.38
FTSE EuroMid	1144.09	-0.27	-3.06	2.94	0.80	1186.29
FTSE EuroMid Ebloc	1200.17	-0.32	-3.91	2.33	1.17	1226.75
FTSE EuroMid Ex UK	1222.43	-0.38	-4.66	2.23	0.80	1245.88
FTSE Eurotop 300 Regions						
Eurobloc	1281.50	-1.21	-15.65	1.97	0.66	1309.50
UK	1124.84	-1.17	-13.34	2.70	0.30	[illegible]
Europe Ex-Eurobloc	1157.67	-1.35	-15.89	2.55	0.22	1199.30
Europe Ex-UK	1265.60	-1.33	-17.06	2.02	0.43	1289.72
FTSE Eurotop Industry Sectors						
RESOURCES	634.76	-0.96	-6.26	3.43	0.84	673.91
Mining	738.10	+0.17	+1.24	4.69	0.00	753.88
Oil & Gas	807.35	-1.02	-8.34	3.39	0.84	827.86
BASIC INDUSTRIES	1032.90	-1.31	-13.69	2.80	0.15	1055.02
Chemicals	819.54	-1.60	-13.30	2.74	0.16	834.17
Construction & Bld Matls	843.80	[illegible]	-4.02	2.74	0.00	851.04
Forestry & Paper	853.79	-0.29	-2.52	3.82	0.00	892.82
GENERAL INDUSTRIALS	1107.12	-0.26	-2.84	[illegible]	0.13	1130.80
Aerospace & Defence	795.84	[illegible]	-5.30	2.03	0.00	806.62
Diversified Industrials	1001.58	+0.84	+8.32	2.01	0.00	1024.49
Electronic & Elect Equip	969.89	-1.07	-10.47	1.88	0.00	975.18
Engineering & Machinery	976.21	-0.74	-7.24	[illegible]	0.48	990.18
[illegible]						

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

[illegible]

BONDS

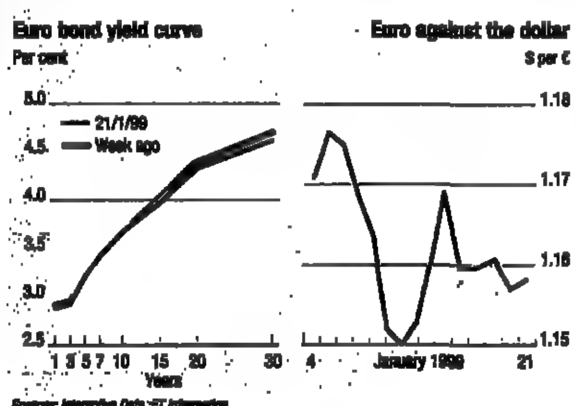
INTEREST RATE SWAPS

Jan 21	Euro-€ Bid	Euro-€ Ask	Euro-L Bid	Euro-L Ask	£ Stlg Bid
1 year	3.20	3.23	3.20	3.24	6.22
2 year	3.23	3.27	3.24	3.28	5.46
3 year	3.32	3.37	3.34	3.38	5.44
4 year	3.44	3.50	3.47	3.51	5.44
5 year	3.56	3.65	3.62	3.66	5.43
6 year	3.69	3.80	3.77	3.81	5.41
7 year	[illegible]	3.96	3.93	3.97	5.41
[illegible]					

EURO-ZONE BONDS

[illegible]

Euro bond yield curve / Euro against the dollar



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OTHER INDICES

[illegible]

FTSE EUROTOP 300

[illegible]

Sega convertible to raise Y80bn

By Vincent Boland

Sega, the troubled Japanese computer games group, has set out to raise Y80bn in a convertible bond issue to help finance production and distribution outside Japan of its Dreamcast game, seen as a make-or-break product for the company.

Sega is issuing Y30bn of convertibles targeted at Japanese retail investors and Y50bn separately aimed at international investors. The issue is the biggest so far from a Japanese company and follows a resurgence of issuance in the country's convertible bond market.

The Japanese convertible bond market, one of the largest in the world, has been slack in the past two years as share prices and interest rates have collapsed. But so far this year, the market has seen more issuance than in all of 1998 because of the recent jump in Japanese government bond yields.

Proceeds from the Sega issue will be used to finance the launch of Dreamcast in Europe and the US, which is expected in September.

"Sega has to increase the production and distribution of Dreamcast, and the money will be used to create software alliances and create a distribution network," said Nomura International, lead manager and book-runner.

The launch of Dreamcast in Japan last year was hit by capacity problems. It competes directly with Sony's Playstation and games produced by Nintendo.

Sega has Y150bn of convertible bonds maturing over the next two years. Its new issue will be priced next Wednesday. The Y30bn piece has a life of seven years; the Y50bn tranche of four years.

Brazil factor boosts prices

BENCHMARK BONDS

By Arkady Ostrovsky in London and John Labate in New York

The Brazil factor returned to haunt the markets yesterday, pushing up government bond prices and denting equities as investors sought the greater safety of the fixed-income markets.

US and European bonds moved higher as the Brazilian Real tumbled another 6.5 per cent against the dollar. The renewed weakness of the currency is unsettling.

Investors have been relatively sanguine up to now about Brazil's ability to weather its crisis; further falls in the value of the Real against the US currency make the government's task harder, analysts say.

Brazil's Brady bonds fell sharply, despite the approval by parliament of a bill to increase civil servants' pension contributions. The benchmark "C" was nearly $5 weaker in afternoon trading at 54.125/54.75, and other Brady markets also fell. Argentine FRBs were down one percentage point at 79.25 and Mexican PAR bons fell half a percentage point.

US Treasuries led the main markets higher, further boosting the European sector, which was already in positive territory following a series of gloomy pictures of the European economy that suggested the case for more interest rates cuts by the European Central Bank and the Bank of England was getting stronger.

In early afternoon trading the 30-year US Treasury was up 11/32 to 101 25/32, sending the yield to down to 5.128 per cent. Among short-term issues the 10-year note was ½ higher at 100½, yielding 4.685 per cent, and the two-year note was up 1/32 at 100 1/32, yielding 4.606 per cent.

European markets had taken their cue from a survey by Germany's Ifo institute that showed business confidence worsening. Ifo's business climate index fell to 91.4 in December from 99.6 a year earlier.

The ECB's policy-making council met yesterday but left European interest rates unchanged. But analysts said the case for rates to fall over the medium term was building, although it was unlikely the bank would react too quickly. Interest rates in euro-zone countries stand at 3 per cent.

The March futures contract on German bonds rose 0.46 to 117.52 in Frankfurt trading, while in London the March future on UK gilts rose 0.55 to 120.05.

The catalyst was a survey showing that the gloom that has gripped the country's manufacturing sector has spread to services, suggesting a wider slowdown.

Floating rate issues come to the fore

NEW ISSUES

By Khozem Merchant

Concern over Brazil is taking the shine off fixed-rate notes and, together with interest rate uncertainty, is underpinning issuance of floating-rate notes.

Commerzbank led the way yesterday with a five-year $1bn note priced to yield Libor plus 14 basis points. This was a little tighter than a bond of the same maturity issued by Dresdner this week. Commerzbank's deal sold mainly in Europe, but 12 per cent was bought by Asian commercial banks.

A strong flow of redemptions is also supporting demand for FRNs. A $2bn Canadian bond matures in February while asset-backed bonds totalling $1bn are redeemable this month.

The redemption of a £150m bond next month also encouraged Bradford & Bingley, a mortgage lender, to issue fresh paper. Its £400m FRN was the largest ever by a mutual. Bradford & Bingley retains its mutual status, unlike Abbey National, which converted to a plc bank and recently issued a £2bn FRN. Yesterday's issue was priced to yield 12½ basis points over three-month Libor.

Cades, the state-owned body that manages France's social security debt, launched a five-year €1bn issue that will be priced today. Pricing was delayed until after the auction yesterday of €3.5bn of French government notes, which provided the reference price for the Cades bond.

The bond is likely to carry the same yield spread as that established at the auction: about 12 basis points over French government bonds. It is expected to be increased to about €3bn.

Italy added $1bn to a $1bn note issued last year. The original bond was priced to yield 62 basis points over the relevant Treasury; yesterday's was at 49 points over.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Commerzbank‡	1bn	(a)	99.926R	Feb 2004	0.15R	-	Commerzbank/MSDW
Italy	1bn(b)	6.00	99.43R	Nov 2003	0.25R	+49(4¼%Nov03)	MSDW/WDR
■ [illegible]							
Promodes§(h)	589.5	2.50	100.00	Jan 2004	-	-	SG
AHE	250(c)	3.25	100.37R	Aug 2001	0.15R	+17(5%Aug01)	(c1)
Bankinter International‡	200	(d)	99.67R	Aug 2004	0.18R	-	[illegible]
■ STERLING							
Bradford & Bingley‡	400	(g)	99.775	Feb 2004	0.15	-	Barclays/HSBC Sec
■ YEN							
Sega Enterprises§(i)	50bn	(0-½)#	100.00	Mar 2003	2.50	-	Nomura
■ SWISS FRANCS							
Kommunekredit	200	2.25	101.90	Mar 2004	2.00	-	Warburg Dillon Read
LBW Capital Markets	200	2.00	100.85	Mar 2004	2.00	-	ABN Amro
■ GREEK DRACHMA							
Bremer Landesbank	20bn	6.60	99.95	Feb 2002	0.15R	-	(l)
World Bank	10bn(m)	6.25	99.86R	Feb 2002	0.1875R	-	(m1)

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +12½bp. b) Fungible with 1bn. Plus 69 days accrued interest. c) Fungible with €750m. Plus 90 days accrued interest. c1) ABN Amro/Bayer LB/CDC Marches/Commerzbank/Deutsche Bank/Dresdner Kleinwort Benson/Nord LB/SGZ/WGZ. d) 3-mth Euribor +12½bp. e) Spread relates to German govt bonds unless stated. g) 3-mth Libor +6¼bp. h) Conv price:6645. Conv premium:55%.i) Fixing: 28/1/99. Callable at par from 1/4/00 subject to 130% hurdle. m) Dr40bn bond launched 7/1/99 increased to Dr50bn. m1) Alpha Credit/DG Bank/TD Securities. l) Alpha Credit/Bank Austria Creditanstalt/RBC DS.

Kilcollin resigns as president of CME

By Nikki Tait in Chicago

In a surprise move, Rick Kilcollin, president and chief executive of the Chicago Mercantile Exchange, one of the two big US futures exchanges, yesterday announced his resignation.

Mr Kilcollin, who has worked at the exchange since 1981 apart from a brief period with Wells Fargo Nikko Investment Advisors in the mid-1990s, will step down in two months, although he has offered to stay longer if a successor has not been found.

Yesterday, he linked his move to the reorganisation under way at the CME, saying he had largely met the goals he set when taking his job two years ago.

Last week, by a wide margin, members approved the CME board's proposal to introduce side-by-side electronic and open outcry trading of its flagship eurodollar contracts this year.

Other aspects of the strategic plan, announced last year, involve introducing more electronic order routing to the trading floor, and possibly forming a strategic alliance with other participants in the derivatives/technology industry and converting to a for-profit company.

"It was a logical opportunity to look at what I wanted to do going forward," Mr Kilcollin said of the membership vote. "It's a rather personal decision ... Staying would be marking time".

Scott Gordon, CME chairman, said Mr Kilcollin would be "sorely missed".

Mr Kilcollin, who first worked as the CME's chief economist and was then chief operating officer between 1990 and 1994, said he had no specific plans.

Yen Libor falls as banks leave panel

By Edward Luce, Capital Markets Editor

The Libor borrowing rate in Japanese yen dropped sharply yesterday as a result of the decision to eject two Japanese banks from the panel that calculates the daily benchmark.

The two banks – Sakura and Tokai – were dropped from the 16-member committee of banks because of their declining presence in the international yen lending markets.

Controversy had arisen over the accuracy of the yen inter-bank borrowing rate owing to the presence of eight Japanese banks on the committee. Japanese banks have been dogged by higher borrowing costs – the so-called "Japanese premium" – for several years due to their deteriorating creditworthiness.

This meant the eight banks were supplying considerably higher quotes than their eight non-Japanese counterparts. The Libor rate – calculated by eliminating the highest and lowest four quotes and taking an average of the remaining eight – was thus considered to be artificially high.

"Most derivatives contracts and international loans use Libor as a reference rate so many market players feel they are paying too much," said one banker.

However, some banks, including one or two western ones on the 16-member committee, believe more than two Japanese banks should have been ejected. The effect – resulting in the largest daily fall in the yen Libor rate for several months – was mitigated by Norinchukin, a Japanese bank, being invited to fill one of the vacancies.

Bank of China and Citibank also left the panel, but for different reasons. The other new entrants are Deutsche Bank, Rabobank and WestLB.

Most bankers have reacted positively to the decision to reduce the Japanese presence on the panel to seven. They also highlighted the fact that Norinchukin has a credit rating of A, higher than the BBB ratings of Tokai and Sakura. This suggests Norinchukin will be quoting a lower inter-bank borrowing rate than its predecessors.

The British Bankers Association, which manages Libor in all currencies, says it plans to review the composition of all currency panels "at least once a year". This means the yen review panel could be reconvened before next January if the Japanese premium started to widen sharply again.

The Japanese premium has dropped from a high of 100 basis points last year to about 45 basis points this month owing to tentative moves by the Japanese government to restructure its banking sector.

However, the premium could start to rise again before the end of the Japanese financial year in March, when banks will be scrutinised by shareholders and regulators.

The Japanese banks that remain on the Libor panel are Tokyo-Mitsubishi, Sumitomo, Sanwa, Industrial Bank of Japan, Fuji and Dai-Ichi Kangyo.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 21	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	107.2907	4.84	-0.04	-0.02	+0.35	-0.31
	08/08	8.750	128.7201	5.17	-0.04	-0.10	+0.35	-0.61
Austria	07/00	5.875	104.0800	2.89	-	[illegible]	-0.25	-1.16
	01/08	6.000	108.6700	3.84	-0.01	-0.01	-0.25	-1.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.80	113.00	+0.23	113.15	112.77	37,555	90,825

[illegible]

Euro

■ € [illegible] FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.05	113.45	+1.25	113.80	112.55	3	207

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

Jan 21	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Bonds
■ $								
EIB	04/07	7.250	AAA	111.1076	5.53	+0.06	+0.32	+0.67
ABN Amro	08/07	7.125	AA-	103.6943	6.60	+0.09	+0.26	[illegible]
Quebec	01/07	7.000	A+	106.1598	6.02	[illegible]	+0.28	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

UK BONDS

FTSE Actuaries Government Securities

UK Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Dollar wobbles on worries over trade

MARKETS REPORT

By Alan Beattie and Florian Gimbel

Poor trade figures and the prospect of a political battle over trade with Japan gave the dollar a shock against the euro and the yen yesterday.

Market analysts said there was little prospect of an immediate impact on the US current account deficit. But any escalation of the war of words between the US and Japan could threaten a rapid fall in the dollar.

Further falls in the Brazilian Real yesterday – despite the successful passage of a key piece of fiscal reform in the country's congress – also raised concerns about the dollar. The dollar closed at $1.158 against the euro at the end of London trading hours yesterday. Against the yen it fell by less, closing at Y113.2 compared with Y113.5 on Wednesday. The possibility of more Bank of Japan intervention has kept the dollar fairly well supported recently against the yen, in the absence of a dramatic break down below the Y110 level.

■ The US trade deficit for November was only slightly worse than expected, totalling $15.49bn compared with a median expectation of $15bn.

But in the context of rising tension on the trade front between the US and Japan, any rise in the deficit is likely to trigger further fears of dollar weakness. President Clinton's specific warning over steel imports on Tuesday was echoed yesterday by Charlene Barshefsky, the US trade representative.

"It is notable that the protectionist rhetoric has come from the US at a time when the economy is still growing strongly," said Paul Meggyesi, currency strategist at Deutsche Bank in London.

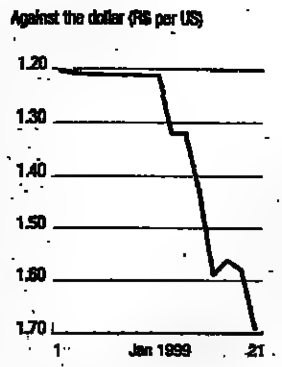
"If investors fear the US is prepared to use exchange rates as a tool of trade policy, the dollar may well weaken," said Mr Meggyesi.

■ The fall in the Real yesterday brought a denial from the central bank that it would resume intervention to stop the currency going into free fall.

The Real fell below the R$1.60 level to close in London at R$1.69, and continued to drop in the American trading session.

After the failed attempt to hold a new, lower band for the Real, the central bank said last week that it would only intervene to support the currency in extreme circumstances. Since then dollars have continued to leak out of the country at a rate of around $300m a day.

Brazilian real
Against the dollar (R$ per US$)



Source: Datastream/ICV

■ The Indonesian rupiah fell against the dollar yesterday amid renewed social unrest in the country.

The end of the Eid al-Fitr Moslem celebrations marked the start of the current unrest, which is likely to intensify in the run-up to the general election in June.

The rupiah closed at Rp8700.0 against the dollar at the end of London trading hours yesterday, down from Rp8475.0 on Wednesday.

The rupiah has also suffered from speculation about a further downgrading of Indonesia's sovereign debt by rating agency Standard & Poor's.

But despite the rupiah's losses it has held up well in the face of possible contagion from Brazil.

"There is no link between these two markets at the moment," said Jonathan Chapman, regional head of foreign exchange at Standard Chartered in London. "On the scale of last year's events, the current situation looks remarkably stable," he added.

But the threat of contagion to east Asia has not entirely receded. "A break-up of both the Argentine and the Hong Kong currency boards, in the wake of the Brazilian crisis, would have serious knock-on effects in emerging markets," said Ray Attrill, of the economic consultancy 4Cast in London.

Mr Attrill said that for the time being, the US seems to be standing firm in its commitment to support Argentina. He thought that Hong Kong and China, both driven by domestic imperatives, will probably stick to their pledges to maintain the current level of their currencies.

"But a collapse of the Argentine currency board, unlikely as it may be, could give both China and Hong Kong a welcome pretext to break their political promises," he said.

■ POUND IN NEW YORK

Jan 21	—Latest—	— Prev. close —
£ spot	1.6535	1.6455
1 mth	1.6521	1.6441
3 mth	1.6507	1.6426
1 yr	1.6494	1.6418

■ OTHER CURRENCIES

Jan 21	£	$
Czech	Rp51.5072 - 51.5948	31.1900 - 31.2200
Hungary	[illegible] - 357.128	215.940 - 216.140
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Peru	5.3951 - 5.4096	3.2670 - 3.2740
Poland	[illegible]	[illegible]
Russia	37.6171 - [illegible]	[illegible] - 23.1000
U.A.E.	6.0651 - 6.0689	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	19.6236	+0.0318	148 - 323	19.6398	19.5289	19.5767	2.9	19.4877	2.8	19.1812	2.3	105.1
Belgium*	(BFr)	57.5287	+0.0930	031 - 543	57.5770	57.2510	57.2972	2.9	57.0619	2.5	56.131	2.3	103.2
Denmark	(DKr)	10.6041	+0.0121	970 - 111	10.6127	10.5551	10.5725	2.2	10.5417	1.9	10.418	1.8	106.4
Finland*	(FM)	8.4792	+0.0137	734 - 850	8.4880	8.4380	8.4451	2.9	8.4104	2.6	8.2732	2.5	82.0
France*	(FFr)	9.3546	+0.0151	504 - 588	9.3623	9.3094	9.317	2.9	9.2787	2.6	[illegible]	2.3	105.7
Germany*	(DM)	2.7892	+0.0045	[illegible]	2.7918	2.7752	2.778	2.9	2.7666	2.8	2.7215	2.3	104.6
Greece	(Dr)	460.404	+0.9850	163 - 645	461.094	457.658	461.503	-3.4	465.226	-4.1	478.582	-4.2	62.9
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	11.8798	-0.0128	777 - 818	11.9137	11.8582	11.8606	1.9	[illegible]	1.9	11.6416	2.0	102.9
Belgium*	(BFr)	34.8266	-0.0377	[illegible]	34.9260	34.7350	34.7713	1.9	34.6611	1.9	34.1285	2.0	103.2
Denmark	(DKr)	6.4195	-0.0100	170 - 220	6.4401	6.4080	6.413	1.2	6.3995	1.2	6.331	1.4	105.6
Finland*	(FM)	5.1332	-0.0055	323 - 340	5.1478	5.1225	[illegible]	1.9	5.1069	1.9	5.0302	2.0	81.3
France*	(FFr)	5.6631	-0.0061	621 - 641	5.6793	5.6514	5.654	1.9	[illegible]	1.9	5.5495	2.0	106.2
Germany*	(DM)	1.6885	[illegible]	[illegible]	1.6934	1.6850	1.6868	1.9	1.6805	1.9	1.6547	2.0	104.2
Greece	(Dr)	278.720	-0.1[illegible]	[illegible] - 700	279.790	278.140	280.175	[illegible]	282.92	-6.0	291.245	-4.5	62.6
[illegible]													

WORLD INTEREST RATES

MONEY RATES

[illegible]

INTERNATIONAL CURRENCY RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

BASE LENDING RATES

[illegible]

COMMODITIES & AGRICULTURE

IPE and Nymex to step up talks

Plans to merge the London and New York energy markets are gathering pace with a meeting next week

By Paul Solman

Next week's meeting of the International Petroleum Exchange board is the latest step in the plan to merge the London energy market with its counterpart in New York.

The IPE says it will keep its position confidential while it negotiates with the New York Mercantile Exchange, but the board meeting is intended to finalise the London exchange's response to the Nymex proposal, which was announced last November.

Both sides acknowledge there is much to iron out, including regulatory and membership issues and the practicalities of operating a transatlantic exchange. But they expect talks to press ahead promptly.

The IPE has also been carrying out consultations with its members and exchange users, such as oil companies.

"There is no definite timetable but we don't expect it to be a long, drawn-out process," Lynton Jones, chief executive of the IPE, said yesterday.

The merger would see the world's two benchmark crude oil futures contracts at one exchange, although both sides say the IPE's Brent crude and Nymex's West Texas Intermediate crude contracts could co-exist, as they represent different aspects of the oil market.

Both contracts have tracked each other's movements in recent years, and both have shown similar changes as they have been battered to 12-year lows by the Asian crisis and oversupply.

"Price movements show the two contracts move in correlation and there is a good deal of arbitrage," said Mr Jones.

The larger of the two contracts is Nymex crude, which recorded average daily volumes of just under 121,500 last year, 47 per cent of the exchange's total volumes.

Brent crude is even more important to the IPE, accounting for 70 per cent of the volume traded last year and averaging about 54,000 of the 77,000 lots traded each day.

A driving force behind the tie-up is a trend of strategic alliances and consolidation among the world's futures and options exchanges.

Eurex, which last year overtook the London International Financial Futures and Options Exchange (Liffe) as Europe's largest derivatives exchange, was created by the merger of the Deutsche Terminbörse (DTB) of Germany and Soffex of Switzerland.

More recently, the Frankfurt-based Eurex exchange has been in discussions with the Chicago Board of Trade, the world's largest commodities exchange, about forming a transatlantic alliance, though that plan has been delayed until March 2000.

Matif, the Paris derivatives market, has held talks with the Chicago Mercantile Exchange to form an alliance that could also include the Singapore International Monetary Exchange (Simex).

In fact, Nymex had already been through its own merger, when in 1994 it hooked up with Comex, the metals exchange.

The foundation of such alliances has created the opportunity to cut costs and make the markets more attractive to customers.

One trend has been towards replacing pit-based, open-outcry trading with cheaper, electronic systems. Liffe's decision last year to abandon pit-based trading was forced upon it by competition from the Eurex screen-based system.

Both the IPE and Nymex retain pit-based trading, although since 1997 they been upgrading their electronic systems – ETS in London and Access in New York – to create a compatible electronic platform.

"This year we will soon both have an identical system, though ours will be called ETS II while theirs will be Access 2000," Mr Jones said.

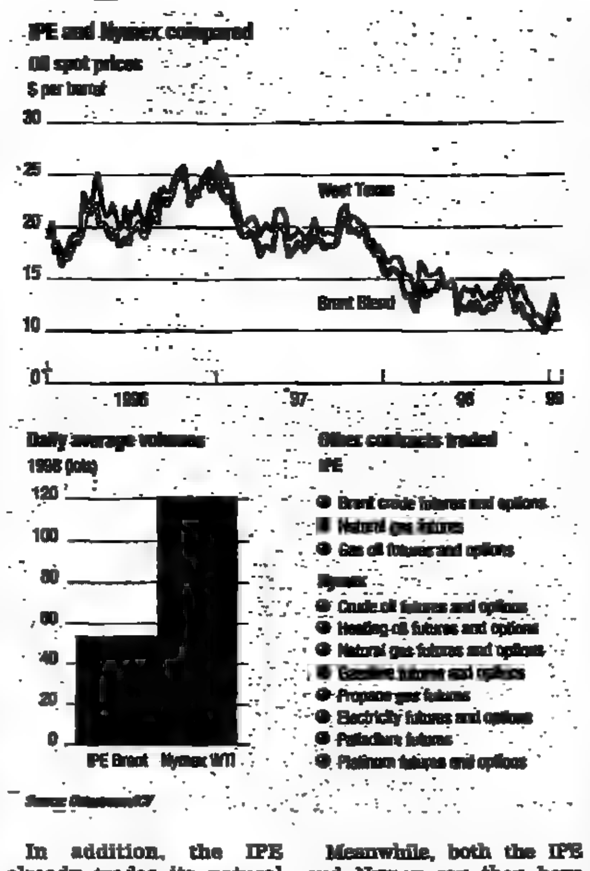
In addition, the IPE already trades its natural gas futures on-screen and is moving to trade Brent crude and gas oil futures electronically out of hours.

Savings can also be made through common clearing. "Clearly an alliance involves reducing costs of things such as clearing. But common clearing is a big issue and might not be something that we would move to immediately," said Mr Jones.

Meanwhile, both the IPE and Nymex say they have been in discussions with their respective regulators, the Financial Services Authority in the UK and the CFTC in the US.

Mr Jones pointed out that there is a precedent for a cross-border exchange in the form of OM Group, the Swedish group that owns the Stockholm Stock Exchange and the OM London derivatives exchange.

IPE and Nymex compared



Changes forecast in prices of aluminium

By Gillian O'Connor, Mining Correspondent

Whatever happens on the economic front, aluminium prices are unlikely to stay where they are – not low enough to force production cuts and not high enough to tempt producers to build new smelters – argues Anthony Bird Associates, the consultants. It reckons the change is more likely to be up than down.

Its latest quarterly forecast shows a 1999 surplus of 482,000 tonnes, giving way to deficits of 192,000 tonnes in 2000 and 443,000 in 2001. It expects prices to recover to $1,900 per tonne by 2001.

The largest single market for aluminium is transport. Another report, looking at longer-term prospects, predicts that by 2008 the aluminium content of a typical car will increase by some 61 per cent, mainly replacing steel and cast iron.

Brook Hunt, the consultancy group, believes areas of particular growth will be body parts, engine blocks, suspension components, safety systems, heat exchangers and wheels. However, less aluminium will be used in induction systems and transmission casings, where it will be challenged by plastics and magnesium respectively.

Customers are demanding (and getting) more accessories, such as air conditioning, as standard, while the industry is incorporating more safety features, such as airbags. Both make cars heavier; hence the need to save weight elsewhere.

The prediction of a 61 per cent increase in aluminium content over the next 10 years comes on top of a rise of some 47 per cent in the past eight years. However, Brook Hunt admits that many observers had thought it would have risen even further already.

Rise in zinc lifts other base metals

MARKETS REPORT

By Gillian O'Connor and Paul Solman

A rise in the zinc price pulled most base metals slightly higher on the London Metal Exchange but traders said this was the result of trading by investment funds relying on technical analysis (chartists).

Although aluminium prices remain depressed and the surplus is forecast to increase, traders are not expecting output cuts.

"Although Alcan, Alcoa and Reynolds all stated that they were not planning to restart their remaining idled capacity [not surprisingly in the current environment], none of these producers held out any hopes of aluminium suppliers making voluntary cuts in production," said Macquarie.

Alcan, the world's second biggest aluminium group, accompanied yesterday's depressed fourth-quarter results with a forecast of an increased surplus in 1999.

Jacques Bougie, chief executive, predicted a rise from 350,000 tonnes in 1998 to 650,000 tonnes in 1999.

Macquarie's own forecasts are 450,000 tonnes and 750,000 tonnes respectively.

Meanwhile, world oil prices rose slightly yesterday in the wake of the America Petroleum Institute's weekly report, which showed US oil stocks fell by 4m barrels last week to 153m.

In late trading on London's International Petroleum Exchange, the benchmark March contract for Brent blend was $10.79 a barrel, against Wednesday's close of $10.51.

The Baltic Freight index rose 35 points to 836. The index, which tracks dry cargo freight rates, has dropped to 12-year lows of under 780 as the shipping industry has continued to suffer from the slowdown in demand for goods in Asia.

NEWS DIGEST

COCOA AND COFFEE

World Bank welcomes Ivory Coast liberalisation

The World Bank has welcomed a move by Ivory Coast, the world's leading cocoa producer, to dissolve Caistab, the parastatal commodities marketing board, as a step towards the final liberalisation of the cocoa and coffee markets.

World Bank officials in the capital Abidjan said the dissolution of the board coincided with decrees promulgating export procedures and minimum pricing for coffee, which was officially liberalised last October, but effectively so only yesterday.

The government said it would retain a 25 per cent stake in a new Caistab with greatly diminished powers, which include harvest forecasting and the supervision of policy, but no control over pricing. Under the new regulations no prior authorisation is needed for exports.

Insider dealing and corruption within the Caistab – which has controlled external marketing and pricing of commodities since the 1960s – earned it the name "Caisse Noire" among World Bank officials, who have driven the market liberalisation policy in Ivory Coast. There were some fears that its dissolution would adversely affect quality control. Bank officials dispute this, however, saying the Caistab ceased to fulfil its downstream obligations years ago.

The liberalisation of the 250,000 tonne coffee market is seen as an acid test of the government's commitment to the later cocoa liberalisation, which is due in October.

Ivory Coast produces about 40 per cent of the world's cocoa. Last year's harvest is expected to reach 1.1bn tonnes. **William Wallis, Lagos**

INDONESIA

Commodity exports set to fall

Commodity exports from Indonesia, one of the world's leading producers, are likely to fall this year, according to figures released yesterday by the trade and industry ministry. Cocoa sales are expected to amount to $338m compared with $360m last year, while coffee exports will drop from $510m to $479m.

The country is the world's third largest producer of both cocoa and coffee. It is expected to produce a record 310,000 tonnes of cocoa in the 1998-99 season, according to US Department of Agriculture estimates, a rise of 1 per cent on the previous season. Domestic prices of cocoa rose more than 300 per cent last year because of the depreciation of Indonesia's currency, the rupiah.

USDA has put the country's coffee output at 6.8m bags this season, 6 per cent fewer than in 1997-98. The crop is still recovering from a severe drought in 1997 that damaged coffee trees and delayed the harvest.

Indonesia's overseas sales of crude palm oil have already begun to fall because of a rise in export taxes to 60 per cent. In addition, production has been hit by heavy rain and growers say output fell 15 per cent last month. The industry ministry predicts that crude palm oil exports will total $505m this year against $538m in 1998. Rubber exports are expected to drop to $1.5bn compared with $1.6bn last year. **Paul Solman**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1205-6	1209-10
Previous	1207-08	1208-09
High/low		1212/1204
AM Official	1208-08.5	1211.5-12.0
Kerb close		1213-4
Open int.	280,502	
Total daily turnover	280,502	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1022-27	1046-50
Previous	1011-16	1041-46
High/low		1065/1040
AM Official	1018-20	1045-47
Kerb close		1052-5
Open int.	7,424	
Total daily turnover	1,916	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	490-2	493-5
Previous	486-7	491-2
High/low		501/492
AM Official	498-99	500-501
Kerb close		499-7
Open int.	36,849	
Total daily turnover	8,149	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4295-305	4365-70
Previous	4310-20	4380-85
High/low		4440/4365
AM Official	4395-60	4430-35
Kerb close		
Open int.	69,147	
Total daily turnover	9,035	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5145-50	5120-25
Previous	5125-30	[illegible]-10
High/low		5130/5113
AM Official	5130-35	5115-20
Kerb close		5120-25
Open int.	20,214	
Total daily turnover	4,471	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	947.5-8.5	969-7
Previous	930.5-1.5	950-1
High/low		980/950
AM Official	954-55	973.5-74.0
Kerb close		972-3
Open int.	86,445	
Total daily turnover	18,047	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1445-7	1472-74
Previous	1441-42	1469-70
High/low		1482/1470
AM Official	1446.5-7.5	1474.5-75.0
Kerb close		1474-5
Open int.	179,524	
Total daily turnover	18,807	

■ LME AM Official £/$ rate: 1.6471
LME Closing £/$ rate: 1.6530

Spot: 1.6515 3 mths: 1.6499 6 mths: 1.6475 9 mths: 1.6472

■ HIGH GRADE COPPER (COMEX) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Jan	65.35	-0.15	66.10	65.15	312	784
Feb	65.50	-0.10	66.10	65.40	240	2,774
Mar	65.85	-0.15	66.80	65.55	4,706	44,904
Apr	66.25	-0.15	66.45	66.35	76	1,724
May	66.70	-0.15	67.50	66.50	165	6,268
Jun	67.20	-	67.80	67.40	88	1,082
Total					5,006	75,889

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	288.20-288.70		
Opening	287.40-287.70		
Morning fix	287.100	174.741	397.921
Afternoon fix	287.750	174.077	397.239
Day's High	288.40-288.70		
Day's Low	286.70-287.10		
Previous close	285.60-286.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.31	6 months	3.93
2 months	4.24	12 months	3.47
3 months	4.19		

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.412	515.25

Silver Lending Rates

1 month	3.80	6 months	1.90
2 months	3.20	12 months	1.75
3 months	2.90		

Gold Coins	$ price	£ equiv.
Krugerrand	294-298	178-180
New Sovereign	68-72	41-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Feb	288.0	+0.5	289.0	287.3	20,451	62,417
Apr	290.0	+0.4	291.0	289.4	5,536	26,895
Jun	291.8	+0.4	293.2	291.2	742	17,142
Aug	293.8	+0.5	294.6	[illegible]	27	6,418
Oct	295.6	+0.5	294.7	294.7	70	2,774
Dec	297.3	+0.5	298.4	297.3	80	12,943
Total					27,021	102,941

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Jan	353.2	-0.5	355.5	355.5	17	11
Apr	354.7	-1.0	357.0	354.5	711	10,388
Jul	356.2	-1.0	358.0	357.5	1	720
Oct	357.7	-1.0	-	-	4	1,094
Total					720	12,226

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	320.00	+1.60	322.00	319.00	98	2,555
Jun	315.00	+1.60	-	-	14	69
Sep	311.00	+1.60	-	-	-	127
Total					99	2,382

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Jan	509.6	-3.9	-	-	-	45
Mar	512.3	-4.0	521.0	508.5	8,813	46,995
May	515.5	-3.9	524.0	512.5	1,354	10,458
Jul	517.7	-3.9	520.0	520.0	402	6,990
Sep	519.9	-4.0	519.5	519.5	2	1,775
Dec	522.0	-4.0	531.0	519.0	26	6,335
Total					[illegible]	70,982

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Mar	12.40	+0.53	12.46	12.08	68,534	128k
Apr	12.41	+0.43	12.44	12.15	11,190	46,426
May	12.48	+0.38	12.52	12.28	7,953	35,054
Jun	12.62	+0.35	12.63	12.42	4,008	25,657
Jul	12.74	+0.32	12.75	12.60	2,107	22,858
Aug	12.89	+0.32	12.89	12.75	3,292	16,178
Total					160,767	483,892

■ CRUDE OIL IPE ($/barrel)

	Open price	Day's change	High	Low	Vol	Open int
Mar	10.79	+0.28	10.86	10.53	19,177	71,642
Apr	10.87	+0.23	10.92	10.64	8,229	49,418
May	11.02	+0.21	11.06	10.81	3,819	22,133
Jun	11.20	+0.23	11.24	11.01	4,533	24,959
Jul	11.39	+0.25	11.39	11.20	274	8,264
Aug	11.40	-0.09	11.50	11.37	398	6,252
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Feb	32.20	+0.86	32.30	31.85	19,812	33,831
Mar	32.60	+0.86	32.75	32.25	12,686	35,244
Apr	33.00	+0.81	33.20	32.85	2,741	20,500
May	33.75	+0.96	33.85	33.50	690	12,903
Jun	34.50	+0.96	34.75	34.30	847	11,139
Jul	35.45	+1.06	35.45	35.20	459	9,032
Total					42,111	168,410

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	97.00	+0.75	97.75	95.75	[illegible]	42,331
Mar	98.25	+0.75	99.00	97.00	4,548	20,334
Apr	100.00	+0.75	100.50	99.00	2,889	11,773
May	102.25	+0.75	102.50	101.50	923	3,837
Jun	104.25	+0.50	104.75	103.75	254	11,487
Jul	106.50	+1.25	107.00	106.50	62	3,368
Total					10,808	131,244

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	9.330	-0.170	9.410	9.330	125	4,800
Mar	9.290	-0.100	9.350	9.270	385	18,558
Total					840	28,030

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Feb	1.890	+0.063	1.900	1.850	32,440	43,630
Mar	1.910	+0.071	1.920	1.831	12,818	42,048
Apr	1.915	+0.059	1.930	1.850	3,385	21,639
May	1.930	+0.056	1.940	[illegible]	12,573	14,275
Jun	1.940	+0.040	1.950	1.910	1,270	14,926
Jul	1.965	+0.040	1.970	1.945	1,974	12,707
Total					63,287	258,726

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Feb	34.60	+0.67	34.60	33.90	13,745	26,461
Mar	36.00	+0.89	36.05	35.20	12,766	23,460
Apr	39.30	+0.94	39.30	38.70	4,233	18,478
May	40.35	+0.94	40.35	39.75	2,327	14,954
Jun	41.10	+0.94	41.25	40.80	433	10,959
Jul	41.59	-	41.80	40.70	846	12,384
Total					35,004	107,846

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	76.00	+1.00	76.00	75.50	22	38
Mar	76.10	+0.70	76.35	75.75	174	2,719
May	78.00	+0.90	78.00	77.50	334	[illegible]
Jul	79.90	+0.90	79.90	79.50	75	647
Sep	76.50	+0.25	-	-	-	182
Nov	80.25	+0.25	80.60	80.25	100	1,715
Total					[illegible]	9,254

■ WHEAT CBT (5,000bu min; cents/60lb bushel) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	268.00	-2.50	271.50	263.00	9,988	66,422
May	277.75	-3.00	282.00	274.00	1,874	13,206
Jul	288.25	-2.50	291.25	284.00	2,469	35,215
Sep	298.75	-1.50	300.75	294.50	148	2,362
Dec	312.00	-1.50	313.50	307.50	283	2,718
Total					14,782	118,[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	216.00	+1.00	216.00	213.75	24,242	171,939
May	221.75	+0.60	223.50	219.50	4,096	61,972
Jul	226.75	+0.50	226.75	224.75	4,628	66,865
Sep	232.75	+0.50	234.50	231.00	1,326	17,605
Dec	239.00	+1.00	240.25	236.75	8,195	36,557
Mar	246.25	+0.75	247.50	244.25	373	3,245
Total					37,[illegible]	383,[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.50	-	80.50	80.50	20	[illegible]
Mar	80.75	-	81.00	80.75	[illegible]	[illegible]
May	81.75	-	-	-	-	42
Sep	78.50	+0.25	-	-	-	35
Nov	80.75	+0.50	81.00	80.75	20	128
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	530.50	+2.50	532.00	525.25	24,222	89,014
May	535.50	+1.75	537.50	531.25	3,787	26,933
Jul	540.50	+2.25	542.00	538.25	5,392	32,041
Aug	542.00	+2.50	543.50	538.00	346	8,079
Sep	541.25	+2.25	543.50	539.00	88	2,208
Nov	547.25	+2.75	549.00	543.00	1,547	19,498
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	23.23	-0.13	23.45	23.03	11,501	55,127
May	23.43	-0.13	23.60	23.22	2,485	22,082
Jul	23.58	-0.12	23.73	23.38	2,341	19,985
Aug	23.65	-0.08	23.68	23.50	399	5,854
Sep	23.70	-0.10	23.70	23.55	170	4,814
Oct	23.75	-0.08	23.95	23.60	68	1,840
Total					17,[illegible]	116,[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	132.6	+1.1	133.9	131.2	9,468	55,180
May	133.4	+1.1	134.8	[illegible]	2,040	24,279
Jul	135.3	+0.9	136.7	134.1	2,547	24,841
Aug	136.5	+0.7	137.8	135.5	497	7,475
Sep	138.0	+0.9	138.0	137.0	419	5,929
Oct	139.5	+1.1	140.5	138.4	254	2,210
Total					17,[illegible]	127,[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	250.0	-	-	-	-	-
Apr	322.0	+1.0	328.0	320.0	111	2,138
May	332.0	+1.0	-	-	-	29
Jun	342.0	+1.0	-	-	-	-
Nov	95.0	-	-	-	-	3
Total					111	2,137

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	860	[illegible]	865	840	48	446
Feb	920	+37	933	886	48	282
Mar	930	[illegible]	935	905	35	84
Apr	970	+35	970	965	173	663
Jul	880	+40	880	850	100	483
Total					404	[illegible]

	Close	Prev
BFI	[illegible]	[illegible]

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	415.50	+0.50	415.50	414.00	20	487
Jun	440.00	+2.00	440.00	438.00	47	202
Total					81	734

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co

Prices at auctions stayed virtually unchanged. The Australian eastern market indicator ended 3 cents down at 517. New Zealand's market indicator was 2 cents down at 400, and only South Africa reported a rise of between 2 and 3 per cent. Clearances at most auctions were discouraging as growers attempted to resist low wool prices. Wool production is being cut but this takes time to take effect; stocks, meanwhile, are high and rising. On the demand side most features are poor. UK retail sales over Christmas are indicated in official statistics as at the lower end of depressed expectations.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	913	+5	919	909	3,221	69,742
May	932	+5	[illegible]	929	3,884	30,192
Jul	[illegible]	+5	958	950	223	13,411
Sep	971	+4	[illegible]	971	2,864	30,269
Dec	[illegible]	+4	1001	989	5,400	18,983
Mar	1018	+4	1020	1018	100	14,086
Total					17,182	173,[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1350	+9	1363	1348	3,015	33,404
May	1384	+8	1396	1383	1,880	21,045
Jul	1413	+9	1424	1415	326	5,265
Sep	1442	+9	1452	1445	258	4,596
Dec	1480	+5	1490	1478	62	5,[illegible]
Mar	1518	+5	1500	1500	4	5,285
Total					n/a	n/a

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jan 20		
Daily	1032.62	1029.60

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1677	+27	1688	1670	748	2,155
Mar	1698	+31	1710	1670	[illegible]	23,741
May	1640	[illegible]	1647	1627	3,385	[illegible]
Jul	[illegible]	+25	[illegible]	1617	382	[illegible]
Sep	1620	+26	1680	1610	272	[illegible]
Nov	1605	[illegible]	1610	1600	63	303
Total					11,976	36,481

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	106.00	-0.55	108.60	106.00	16,615	20,543
May	108.30	-0.20	110.50	108.10	5,505	8,101
Jul	110.00	-0.20	112.40	110.00	1,[illegible]	3,271
Sep	111.90	+0.20	113.75	111.75	464	2,304
Dec	113.25	+0.45	114.00	113.25	209	1,152
Mar	114.50	-0.20	114.75	114.60	134	249
Total					n/a	n/a

■ COFFEE (ICO) (US cents/pound)

Jan 20		Prev. day
Comp. daily	93.20	93.96
15 day average	100.24	100.[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	229.7	-1.6	235.0	228.4	4,743	16,194
May	232.0	-1.1	236.4	231.0	2,411	11,507
Aug	228.5	-1.2	233.0	228.6	409	7,142
Oct	222.4	-1.1	226.5	221.9	86	5,633
Dec	223.5	-1.2	226.0	223.0	186	1,260
Mar	226.0	-0.7	230.0	227.5	38	708
Total					7,[illegible]	42,[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	7.47	-0.05	7.60	7.45	40,752	73,832
May	7.38	-0.06	7.48	7.32	7,835	28,130
Jul	7.23	-0.05	7.34	7.20	6,858	29,201
Oct	7.46	-0.07	7.57	7.45	2,551	13,129
Mar	7.78	+0.00	[illegible]	7.75	2,184	10,031
May	[illegible]	-	7.87	7.85	180	2,381
Total					n/a	n/a

■ COTTON NYCE (50,000lbs; cents/lbs) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	59.38	+0.04	59.60	59.05	5,245	34,190
May	60.38	-0.07	60.60	60.05	1,154	18,417
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12,197
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,487
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12,601
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,370
Total					n/a	n/a

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) Jan 15

	Sett price	Day's change	High	Low	Vol	Open int
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17,835
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,582
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 21	Jan 20	month ago	year ago
1473.1	1474.9	1472.6	[illegible]

■ CRB Futures (Base: 1967 = 100)

Jan 19	Jan 18	month ago	year ago
189.47	[illegible]	[illegible]	[illegible]

■ GSCI Spot (Base: 1970 = 100)

Jan 19	Jan 18	month ago	year ago
132.44	[illegible]	[illegible]	[illegible]

LME WAREHOUSE STOCKS (tonnes)

Aluminium	[illegible]	[illegible]
Aluminium alloy	[illegible]	[illegible]
Copper	[illegible]	[illegible]
Lead	[illegible]	[illegible]
Nickel	[illegible]	[illegible]
Zinc	[illegible]	[illegible]
Tin	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Feb	62.600	-0.650	62.900	62.250	7,880	32,495
Apr	65.375	-0.225	65.575	64.950	5,334	41,624
Jun	64.875	-0.150	64.975	64.575	2,531	21,427
Aug	64.525	-0.275	64.750	64.500	725	11,267
Oct	65.800	-0.250	65.880	65.625	287	6,598
Dec	66.200	-	67.100	66.800	46	2,237
Total					16,822	115,764

■ LEAN HOGS CME (40,000lbs; cents/lbs) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Feb	41.850	+0.825	42.450	40.550	3,016	12,899
Apr	43.400	+0.025	44.450	43.100	2,464	13,867
Jun	54.075	-0.350	54.900	53.750	1,271	7,361
Jul	55.375	+0.150	56.000	54.700	423	3,894
Aug	56.525	-0.275	56.800	56.000	280	3,153
Oct	55.475	-0.275	55.700	55.300	383	3,139
Total					8,013	46,592

■ PORK BELLIES CME (40,000lbs; cents/lbs) Jan 15

	Latest price	Day's change	High	Low	Vol	Open int
Feb	56.900	+0.850	57.500	55.000	1,282	3,957
Mar	57.000	+0.675	57.875	55.750	380	1,149
May	57.300	-0.100	59.200	57.500	38	746
Jul	59.250	+1.175	60.000	57.500	72	745
Total					1,813	6,[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1150	59	90	8	19
1200	27	57	25	37
1250	9	34	57	63
■ COPPER (Grade A) LME	Feb	May	Feb	May
1450	44	87	39	58
1500	23	64	68	84
1550	11	45	105	114
■ COFFEE LIFFE	Mar	May	Mar	May
1650	73	77	27	87
1700	45	57	49	117
1750	30	43	84	153
■ COCOA LIFFE	Mar	May	Mar	May
900	31	61	18	28
925	19	47	31	40
950	10	36	47	54
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1050	-	-	-	85
1100	38	-	38	-
1150	17	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$10.57-0.77x	+0.285
Brent Blend (dated)	$11.08-1.15	+0.275
Brent Blend (Mar)	$10.89-0.85	+0.255
W.T.I.	$12.42-2.44x	+0.250

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$121-123	
Gas Oil ‡	$98-101	+1
Heavy Fuel Oil	$65-67	+1.5
Naphtha	$94-96	+1
Jet fuel	$114-116	+2
Diesel	$105-106	+3

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	9.30-9.35	-0.16

■ OTHER

Gold (per troy oz)♣	$289.45	+2.80
Silver (per troy oz)♣	519.50c	+4.00
Platinum (per troy oz)	$353.50	
Palladium (per troy oz)	$320.50	-1.00
Copper	71.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	16.77r	
Tin (New York)	244.5	
Cattle (live weight)	92.89p	-0.55*
Sheep (live weight)	65.19p	-3.74*
Pigs (live weight)	37.98p	-5.54*
Lon. day sugar (raw)	$185.40	-2.70
Lon. day sugar (wte)	$225.00	-2.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£100.00	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	62.75p	
Rubber (Mar)♥	63.25p	
Rubber (KL RSS No1 Mar)	[illegible]	
Coconut Oil (Phil)§	[illegible]	-1.00
Palm Oil (Malay)§	[illegible]	+7.50
Copra (Phil)§	[illegible]	-12.50
Soyabeans (US)	[illegible]	+5.0
Cotton Outlook 'A' index	[illegible]	
Wooltops (64s Super)	[illegible]	

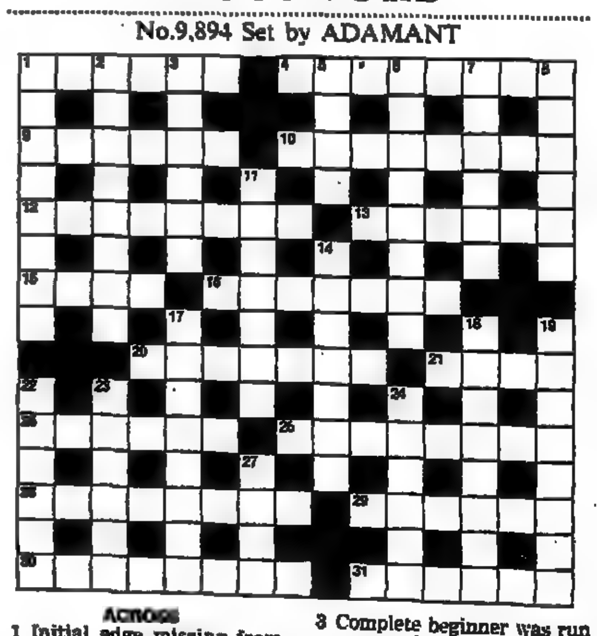
[illegible] ‡ Sterling ... § CIF ... [illegible]

JOTTER PAD

For solutions to today's crossword call 0891 430080. Calls cost 50p a minute.

CROSSWORD

No.9,894 Set by ADAMANT



ACROSS

1 Initial edge missing from the work in French museum (6)
4 *Sword* can cause mark, holding one boy back (8)
9 Train to Winchester, maybe (6)
10 For example, broadcast on *push over* for union (8)
12 1 down calls for jewellery (8)
13 Possibly one coming to grief about university (6)
15 *Two thirds* of eleven? That's odd! On the contrary! (4)
16 Smallest possible skirt on mother (7)
20 *Refute* having to take seat in closely packed state (7)
21 Asian that gave up time for one (4)
25 Caught after second assault – that's a misdemeanour (6)
26 They can deal with a borderline crime (8)
28 Small length cut back around initially robust caterpillar (8)
29 Abandon the lock of hair (6)
30 Putting up with the finale you are said to be in (8)
31 Bed where the rocks are never hard (6)

DOWN

1 One who hears the student is about to enter (8)
2 Henry, without a weapon about him, was not injured (8)
3 Complete beginner was run out, all right, being extremely idle (6)
5 Daily fish (4)
6 Kind of working out the firm clue (8)
7 Dog perhaps comes up holding a copper vessel (3-3)
8 Staggered to find the Spanish in the grass (6)
11 Not in favour of a profit on the way (7)
14 Said TNT would *explode* far away (7)
17 Main strength (8)
18 Where the drifter started out from? (8)
19 *Expel from* freemasonry? (8)
22 Aim for fresh praise (6)
23 Kept cool after voting system was costed out (6)
24 For him the odds could be evens (6)
27 Architect who was right in three out of four points (4)

Solution 9,893

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd
PO Box HM 2790, Hamilton, Bermuda 001 441 292 2780

Newport Investment Management

MFS Meridian Funds

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd
The New Taipei Fund Ltd $17.1010

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

Orion Capital Advisors Ltd

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Gartmore Fund Managers Intl Ltd (z)

PO Box 278, 45 La Motte St., Jersey 01534 888888

Gartmore Capital Strategy Fund Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

PO Box 657, New Street, St. Helier, Jersey 01534 609814

Offshore Funds

Lloyds Bank (CI) U/T Mgrs.

PO Box 311 St Helier, Jersey 01534 284242

Lloyds Tst. GIRF	3½	£12.498	12.93	+0.04	5.57

Dealing daily

Lloyds TSB Fund Managers (CI) Ltd

PO Box 538, St Helier, Jersey 01534 503002

Lloyds TSB Offshore Funds Limited

Lloyds TSB Offshore Gilt Fund Ltd

Midland Bank Fund Managers (Jersey) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Pacific Fund Jan 20	$33.28	35.30	—	—

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

For TSB Fd Mngrs (CI) Ltd see Lloyds TSB Fd Mngrs

WMS Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Fidelity Funds - Contd.

Fleming Group

Lloyds Bank Luxembourg

Schroder International Selection Fd - Contd.

LUXEMBOURG (REGULATED)(**)

Barclays Euro Funds

Kredietbank SA Luxembourg

Schroder Global Opportunities Funds - Contd.

OFFSHORE INSURANCES

هكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	[illegible]	470xd	-3	[illegible]	385	5,767	5.4	12.3
Bulmer (HP)		304xd	-1	412½	291½	9	6.2	13.6
Burn Stewart		14½	....	36	7	0.758	–	–
Diageo	[illegible]	[illegible]	+6	795	449½	11,190	3.0	20.2
Glenmorangie A	†	675	....	[illegible]	675	63	2.7	18.3
B	†	[illegible]	-10	[illegible]	810	–	1.1	44.4
Highland		[illegible]	-1½	[illegible]	225	84	4.6	11.7
5¼pc Cv Sb Bd		[illegible]	[illegible]	100½	[illegible]	–	6.0	–
Kirin Y		[illegible]	....	[illegible]	[illegible]	–	0.8	58.7
Matthew Clark	[illegible]	242	....	244	115	–	6.7	[illegible]
Merrydown		[illegible]	....	[illegible]	[illegible]	–	–	ϕ
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	–	0.9	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

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For Retail Price Index details call 0891 43 0805

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Sellers gain upper hand as Footsie run falters

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

An erratic and mostly indecisive session in UK equities yesterday ended with the sellers finally getting the upper hand and driving the market's leaders sharply lower.

But the losses in frontline stocks did not come without a keen tussle as the optimists continued to chase many of the perceived top-quality stocks and potential takeover targets.

At the close, the FTSE 100 index was 83.3 lower at 6,022.3, just off its session low. And there were losses right across the market with the FTSE 250 down 9.1 at 4,875.0 and the FTSE SmallCap 2.8 easier at 2,105.3.

Revived worries about the lingering effects of last year's severe crises in Asia and other markets and the possibility of further outbreaks of turbulence in South America gradually eroded confidence in London and elsewhere.

Dealers also pointed out that the remarks made on Wednesday afternoon by Alan Greenspan, chairman of the US Federal Reserve, about the high level of US share prices, had deterred some investors, as did references to the record high achieved by the price earnings ratio on the FTSE Non-Financials index.

Wall Street's rather disappointing Wednesday performance, when an early three-figure gain in the Dow Jones Industrial Average turned into a 19-point fall, was another reason for the market's unease.

So were bearish comments by Barton Biggs, the widely followed Morgan Stanley investment guru, on the potential for more South American turmoil and on a "bubble" in US internet stocks.

Wall Street gave no real lead to London when the US market opened yesterday. The Dow moved from positive to negative many times during London trading, but was beginning to look under pressure later in the session.

A bearish story about HSBC, which vies with Lloyds TSB for the accolade of the biggest UK bank, was behind the early weakness in the FTSE 100.

A report from the US, suggesting the bank had suffered a substantial loss on its Thai loan book, dented HSBC shares and produced a sympathetic decline in Standard Chartered.

Observers said the market may now be at a pivotal stage, with cash-rich institutions still keen to chase stocks because of low inflation, the potential for interest rate cuts and the probability of more takeovers.

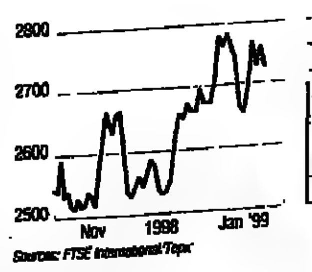
"We are still hoping for another cut in UK rates after the next meeting of the Bank of England's monetary policy committee, and there is also the chance that the Fed will cut US rates before we do," said one marketmaker. But the bears insist valuations are overstretched and that a correction is overdue.

Talk in the market suggested that at least four big bids are in the pipeline, with the drugs sector seen as the most likely area.

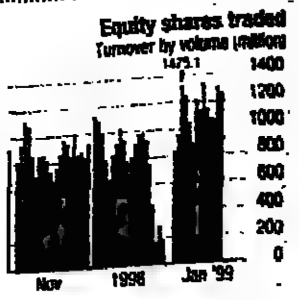
The drinks sector was sharply higher yesterday, also responding to takeover hints. Whitbread, now mostly a leisure stock, was recently tipped as a likely bid target for Granada. The latter is thought to be back on the takeover trail.

Turnover in equities reached 1.3bn shares.

FTSE All-Share Index



Equity shares traded
Turnover by volume (million)



Source: FTSE International/Topic

Indices and ratios

FTSE 100	6022.3	-83.3
FTSE 250	4875.0	-9.1
FTSE 350	2830.0	-34.2
FTSE All-Share	2775.03	-31.54
FTSE All-Share yield	2.87	2.84
FT 30	3492.2	-22.0
FTSE Non-Fin p/e	23.73	23.98
FTSE 100 Fut Mar	6029.0	-111.0
10 yr Gilt yield	4.33	4.40
Long gilt/equity yld ratio	1.51	1.54

Best performing sectors

1	Breweries, Pubs & Rest	+1.7
2	Chemicals	+1.3
3	Support Services	+1.0
4	Electronic & Elect Equip	+0.9
5	Media	+0.8

Worst performing sectors

1	Telecommunications	-3.1
2	Food Producers	-3.0
3	Household Goods & Texts	-2.5
4	Tobacco	-2.5
5	Oil Exploration & Prod	-1.9

SB feels two-way pressure

COMPANIES REPORT

By Peter John and Martin Brice

SmithKline Beecham experienced turnover of 31m – heavy even by current busy standards – after a two-way pull sent the shares swinging around before closing 15½ down at 850p.

Early on, the stock slumped as the latest news from Zeneca removed some of the speculative shine over SmithKline, which has been seen as an obvious target for Glaxo Wellcome.

Zeneca published its document for the agreed merger with Astra of Sweden and announced an extraordinary general meeting for February 18.

Analysts said Zeneca was at its most vulnerable to a counter-bid during the period between publication of the offer document and approval at the egm.

In the afternoon, SmithKline popped briefly back into the blue as the company received fast-track approval from the US Food and Drug Administration for its Avandia diabetes treatment.

In the light of the FDA move, Merrill Lynch raised its intermediate rating on SmithKline from "accumulate" to "buy", with a price target of £10.50.

HSBC was a focus for early market nervousness as the spectre of Asian contagion resurfaced.

One US newspaper said HSBC could reveal "huge" losses on its $3bn Thai loan portfolio with its 1998 results due on February 22.

Quoting unnamed officials, the report said the losses would probably look much heavier than any competitors. It said the bank appeared to have committed basic mistakes, among them overexposure to property and other discredited sectors of the Thai economy, and lending in US dollars to projects with no dollar income.

HSBC was unable to comment as it is in its close period. One analyst said the Thailand news was already in the price. The shares stabilised and closed 48 lower at £17.18.

Internet fever ensured that the rise and rise of Reuters Group gathered pace. More brokers recommended the stock and it hit yet another high.

Against the general trend, Reuters rolled forward 31½ to 899½p after Warburg Dillon Read and Schroders Securities confirmed share price targets of £10.00. Warburg had raised its target from 750p, while Schroders was previously tipping 850p.

Dealers said the news and financial information company was being dragged higher on the coat-tails of the internet gold rush as brokers looked for quality stocks with some association to the Net.

A research note from SG Securities highlighted the opportunity for investors to benefit from a switch out of Unilever into Cadbury Schweppes.

Carl Short at the broker told clients Cadbury had better growth prospects, better earnings visibility and more to gain from refocusing. On the other hand, Unilever's product portfolio had more pan-European brands and was vulnerable to the harmonisation of pricing across Europe likely to stem from the introduction of the euro.

Unilever suffered one of the worst performances in the Footsie, closing off almost 6 per cent or 37½ at 612½p in brisk trade of 12m. Cadbury was up 14 at 934½p as 4.9m were dealt.

The trading statement from Arcadia brought relief that the retailer seemed to have escaped the worst of a Christmas period that saw others suffer. The stock was the best performer in the FTSE 250, gaining almost 23 per cent or 30½ to 167½p.

The company issued a profits warning in early December and the stock touched 133½p in the days ahead of the statement, its lowest level for several years. It remains at a fraction of the 508p it reached reached early last year and traders suggest the company might be a bid target.

Arcadia on-line

Arcadia also highlighted the internet as a medium for sales, particularly for its Hawkshead, Evans and Racing Green brands.

The rise of 95 to 637½p in Business Post was said to have been prompted by its potential to benefit from increased demand for delivery of items ordered over the internet.

Elsewhere among retailers, statements provided a more mixed picture of the state of retailing demand.

The prospect that computer group Acorn might be close to finding a way of realising the value tied up in its 24 per cent stake in ARM Holdings saw both stocks rise against the falling market tide.

The stake is currently worth about £118m, which exceeds the £70m market capitalisation of Acorn. However, any disposal would incur heavy tax charges that would reduce the proceeds. One broker is thought to have found a method of avoiding the tax charge. ARM gained 75p to £15, while Acorn gained 4 to 111½p.

Reckitt & Colman slipped 26 to 715p prompting suggestions that one broker was left holding a large line of stock.

Shares in the household goods company were actively traded on Wednesday with dealers saying ABN Amro had picked up chunks of shares at 740p. They said 14m shares changed hands and might have only represented one side of a deal with an institutional stakeholder. ABN declined to comment on the trade.

Furious activity in Vodafone ensured the telecoms giant continued to scale new heights. On turnover of 28m it nudged up another 4 at £11.63. The 100p rise over the week has taken it above Shell Transport in market valuation. The oil major languished 3¼ to 335½p.

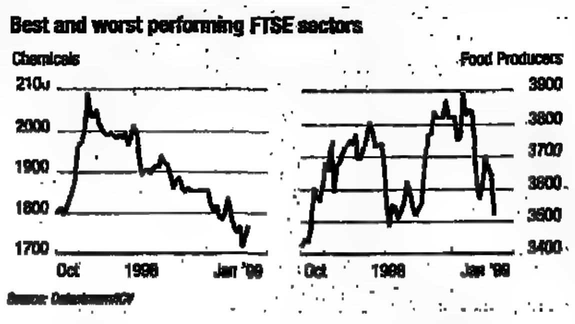
Reassurance from Merrill Lynch helped WPP lift 9¼ to 407½p. The marketing services group had been hit by suggestions from a rival broker that a profits warning could be around the corner.

But Merrill reiterated its new share price target of 475p and also pointed out that Ogilvy & Mather, one of WPP's advertising arms, had just won a $65m contract from BIB, the interactive services arm of BSkyB.

Legal & General lifted 18 to 846p after the insurer announced its worldwide life and pensions new business from continuing operations had increased 21 per cent to £404m.

Merger candidate Guardian Royal Exchange was steady at 354½p with support from HSBC Securities. The broker published a range of take-out targets, which started at 385p a share and rose to 473p.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Jan 21	Jan 20	Jan 19	Jan 18	Jan 15	Yr ago	*High	*Low
FT 30	3492.2	3514.2	3490.5	3557.8	3489.1	3305.5	4004.8	2780.8
Ord. div. yield	2.93	2.904	2.94	2.89	2.96	3.31	[illegible]	2.72
P/E ratio net	22.91	23.084	22.84	23.23	22.86	21.40	25.41	15.80
P/E ratio nil	22.82	22.989	22.74	23.14	22.57	21.21	25.18	15.71

FT 30 since compilation: high 4004.8 7/15/98, low 49.4 26/6/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3514.2	3522.2	3531.9	3528.9	3541.2	3512.1	3508.7	3504.0	3544.0	3488.5

STOCK MARKET TRADING DATA

	Jan 21	Jan 20	Jan 19	Jan 18	Jan 15	Yr ago
SEAQ bargains	80,028	81,839	82,095	87,501	90,460	54,683
Equity turnover (£m)†	-	5138.7	4725.8	6473.2	4021.0	2239.6
Equity bargains†	-	70,432	68,962	76,213	66,547	57,605
Shares traded (m)†	-	1094.9	957.0	1392.6	953.0	702.8
Total market bargains‡	-	82,663	82,903	89,020	80,078	-
Total turnover (£m)‡	-	6377.1	5903.0	8498.5	8066.8	-
Total shrs traded (m)‡	1268.5*	1318.7	1173.7	1577.2	1173.3	-
Tradepoint turnover (£m)	69.0	43.3	32.4	24.0	24.0	52.9
Tradepoint shrs traded(m)	28.6	10.5	10.0	7.8	10.8	10.3

†Excluding intra-market and overseas turnover but including Crest turnover. ‡UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	540	Total Highs	99	Total contracts	33,529
Total Falls	938	Total Lows	89	Calls	16,197
Same	1,405			Puts	17,332

Jan 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6110.0	6029.0	-111.0	6165.0	5990.0	25151	171150
Jun	6168.0	6089.5	-111.5	6186.0	6093.5	500	15984
Sep	6208.0	6112.5	-111.5	6209.0	6158.0	250	850

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4878.0	-9.0			0	6933
Jun		4893.0	-9.0			0	300

FTSE 100 INDEX OPTION (LIFFE) (6022) £10 per full index point

	5650 C	5650 P	5800 C	5800 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P	6200 C	6200 P
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 605 Puts 1,397

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5875	5925	5975	6025	6075	6125	6175	6225
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 4,509 Puts 7,679 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	16.0	100	95	AIM VCT	100					
-	F.P.	[illegible]	[illegible]	[illegible]	Abbey Natl Dublin	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	1998/99 Low	Stock	Closing price p	+or-
875	Nil	28/1	250pm	180pm	EMAP	247½pm	+34½
9	Nil	25/1	12½pm	11½pm	Recognition Sys	11½pm	+4¼

pm premium.

FTSE GOLD MINES INDEX

	Jan 21	% chg on day	Jan 20	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (25)	880.10	-4.8	[illegible]	[illegible]	1.83	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Americas (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stg Jan 21	Day's chge%	Euro index	£ Stg Jan 20	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6022.3	-1.4	6699.3	6105.6	5253.1	2.72	2.32	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	4875.0	-0.2	5424.0	4884.9	4613.3	3.42	2.94	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250 ex Inv Tr	4872.9	-0.1	5420.6	4879.9	4651.7	3.56	3.06	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2830.0	-1.2	3148.2	2864.2	2518.0	2.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	2105.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	2775.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Small	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Small ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE AIM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE Actuaries Industry Sectors

	£ Stg Jan 21	Day's chge%	Euro index	£ Stg Jan 20	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Extractive Industries(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(162)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Construction(37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods & Texts(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(287)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telecommunications(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(59)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(566)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(120)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(48)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share(803)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
105 FTSE All-Share ex Inv Tr(216)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Information Technology	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FTSE 100 Day's high: [illegible] Day's low: [illegible]. FTSE 100 1998/99 High: [illegible] Low: [illegible]. FTSE All-Share 1998/99 High: [illegible] Low: [illegible]

Further information is available on http://www.ftse.com.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates a FTSE 100 index constituent. Trades of one million or more are rounded down. ‡ Indicates Standard Scheme Estd. start of FT instruments.

مكرر من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 21) 1 € = 13.76030 Sch

BELGIUM/LUX (Jan 21) 1 € = 40.33990 Frs.

FINLAND (Jan 21) 1 € = 5.94573 Mka

FRANCE (Jan 21) 1 € = 6.55957 Frs.

GERMANY (Jan 21) 1 € = 1.95583 Dm.

IRELAND (Jan 21) 1 € = 0.78756 Punt

ITALY (Jan 21) 1 € = 1936.27000 Lire

NETHERLANDS (Jan 21) 1 € = 2.20371 Fl.

PORTUGAL (Jan 21) 1 € = 200.48200 Esc.

SPAIN (Jan 21) 1 € = 166.38600 Pta.

EUROPE (NON-EMU)

CZECH REP (Jan 21 / Korunas)

DENMARK (Jan 21 / Kr)

GREECE (Jan 21 / Drachma)

NORWAY (Jan 21 / Kroner)

POLAND (Jan 21 / Zloty)

SWEDEN (Jan 21 / Kronor)

SWITZERLAND (Jan 21 / Frs.)

TURKEY (Jan 15 / TL Lira)

PACIFIC

JAPAN (Jan 21 / Yen)

AUSTRALIA (Jan 21 / Aust$)

HONG KONG (Jan 21 / H.K.$)

INDONESIA (Jan 15 / Rupiah)

MALAYSIA (Jan 21 / MYR)

NEW ZEALAND (Jan 21 / NZ $)

SINGAPORE (Jan 21 / S$)

SOUTH KOREA (Jan 21 / Won)

TAIWAN (Jan 21 / TW $)

THAILAND (Jan 21 / Baht)

AMERICAS

CANADA

TORONTO (Jan 21 / Can $)

4 pm close

MONTREAL (Jan 21 / Can $)

4 pm close

MEXICO (Jan 21 / Peso)

12.30 pm

AFRICA

SOUTH AFRICA (Jan 21 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 20 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 19 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	212.76	0.6	191.47	152.65	211.75	221.11	0.7	3.32	211.07	188.69	151.68	209.41	219.69	219.96	163.86	205.56
Austria (21)	171.36	−0.7	154.21	122.95	150.49	150.49	−0.4	2.32	172.59	154.29	124.03	151.09	151.09	253.73	166.45	190.53
Belgium (22)	423.08	0.1	380.74	303.55	363.77	363.77	0.4	1.85	422.63	377.83	303.72	362.25	362.25	448.95	257.09	257.09
Brazil (32)	112.79	5.7	101.50	80.92	112.25	326.99	5.4	2.76	106.70	95.39	76.68	105.86	310.31	269.34	89.32	219.14
Canada (117)	208.09	−0.5	187.27	149.30	207.10	229.86	−0.6	1.70	209.03	186.87	150.22	207.38	231.31	248.78	159.94	206.17
Denmark (34)	498.72	0.1	448.81	357.82	496.35	436.11	0.5	1.67	498.03	445.24	357.91	494.12	434.08	537.33	420.12	458.03
Finland (29)	661.25	2.3	595.08	474.43	713.14	713.14	2.6	1.41	646.60	578.06	464.68	695.17	695.17	661.25	288.35	288.35
France (75)	337.78	0.6	303.98	242.35	300.39	300.39	0.9	2.09	335.82	300.23	241.34	297.72	297.72	354.45	233.72	233.72
Germany (55)	281.87	1.0	253.66	202.23	247.71	247.71	1.3	1.31	279.16	249.57	200.62	244.57	244.57	325.61	226.35	227.24
Greece (36)	384.17	1.3	345.72	275.63	382.34	767.99	1.5	1.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Hong Kong, China (67)	309.85	−0.4	278.83	222.38	308.49	308.34	−0.4	3.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	311.45
Indonesia (26)	45.86	−0.6	41.27	32.91	45.64	238.44	0.0	1.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41.75
Ireland (16)	577.36	1.8	519.58	414.24	553.76	553.76	2.1	1.76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	413.61
Italy (53)	176.71	0.3	159.02	126.78	220.85	220.85	0.7	1.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	125.63
Japan (445)	100.08	1.7	90.07	71.81	99.61	71.81	1.5	1.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.60
Mexico (29)	1064.62	6.1	958.08	763.84	1059.57	11837.92	4.8	2.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1606.81
Netherlands (26)	528.61	0.4	475.71	379.27	459.53	459.53	0.7	2.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	409.24
New Zealand (18)	66.11	1.9	59.49	47.43	65.79	65.03	1.3	4.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75.52
Norway (37)	235.99	−0.8	212.37	169.32	234.87	237.62	−0.9	2.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	298.28
Philippines (22)	95.52	1.4	85.96	68.53	95.07	182.56	1.4	0.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	74.74
Portugal (18)	269.67	1.1	242.68	193.48	319.83	319.83	1.5	1.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Singapore (41)	232.72	0.5	209.43	166.97	231.61	180.01	0.3	1.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	182.34
South Africa (53)	190.78	−0.5	171.68	136.88	189.87	250.29	−1.2	3.79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	249.56
Spain (30)	480.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	285.52
Sweden (44)	540.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	452.44
Switzerland (30)	419.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	337.60
Thailand (34)	27.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21.69
United Kingdom (207)	387.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	336.20
USA (615)	517.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	390.12
Americas (793)	459.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	361.31
Europe (735)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	290.72
Eurobloc (345)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Nordic (144)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	409.70
Pacific Basin (729)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108.65
Euro-Pacific (1462)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	184.59
North America (732)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	386.69
Europe Ex. UK (526)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	259.97
Europe Ex. Eurobloc (388)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Europe Ex. UK Ex. Eurobloc (181)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Pacific Ex. Japan (284)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	185.94
World Ex. Eurobloc (1948)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
World Ex. UK (2086)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	187.64
World Ex. US (1678)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	248.17
World Ex. Japan (1848)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	333.36
The World Index (2293)	312.90	0.6	281.58	224.50	311.42	279.04	0.7	1.56	311.15	278.20	223.83	308.74	277.18	318.61	242.36	255.64

Emerging markets: IFC investable indices

Dollar terms

Jan 20 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	744.84	+0.2	−6.6
Brazil	231.58	+5.8	−15.8
Chile	413.67	+2.0	−8.3
Colombia[1]	389.81	+0.4	−11.3
Mexico	450.86	+5.5	−8.4
Peru[2]	133.73	+2.2	−0.5
Venezuela[3]	383.16	+0.4	−15.5
East Asia			
China[4]	23.58	−2.0	−8.9
India[7]	67.52		+5.2
Indonesia[8]	22.77	−0.6	−5.9
Korea[8]	57.63	−0.2	+8.7
Malaysia	93.24		+5.3
Pakistan[9]	89.15		−5.7
Philippines	131.21	+1.3	+6.6
Sri Lanka[10]	78.77	−0.1	−4.4
Taiwan, China[8]	116.55	−0.2	+0.6
Thailand	70.85	+2.8	+12.2
Europe			
Czech Rep	50.82	+0.5	+0.1
Greece	682.77	+1.4	+10.2
Hungary[11]	300.03	+4.1	+6.9
Poland[12]	582.28	+2.0	+7.4
Portugal	307.81	+1.0	+5.4
Russia	23.24	+2.6	−0.9
Slovakia	44.11		+1.2
Turkey[14]	135.05		−7.7
Mideast/Africa			
Egypt	89.63	−0.1	+8.0
Israel	107.06	+1.6	+4.7
Jordan	222.40		+2.7
Morocco	170.24		+1.6
S Africa[15]	130.98	+0.3	+4.6
Zimbabwe[16]	100.85		−4.5
Regions			
Composite	165.77	+1.5	−0.5
Latin America	378.28	+3.9	−9.9
Asia	110.71	−0.1	+3.5
EMEA	119.78	+1.0	+4.8
Europe	157.32	+1.4	+5.0
Eastn Europe	60.91	+2.7	+4.8
ME & Africa	56.04	+0.5	+4.5
Comp + Malay	189.26	+1.4	−0.1
Asia + Malay	112.22	−0.1	+3.8

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close January 21

NEW YORK STOCK EXCHANGE PRICES

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 20	Jan 19	Jan 18	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9335.91	9355.22	(c)	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	106.32	105.56	(c)	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3111.42	3177.85	(c)	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	304.51	304.90	(c)	328.51 (8/10/98)	282.88 (8/1/98)	328.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9565.01 (9469.14) Low 9220.35 (9165.73) (Theoretical)
Day's high 9480.09 (9398.25) Low 9300.30 (9210.01) (Actual)

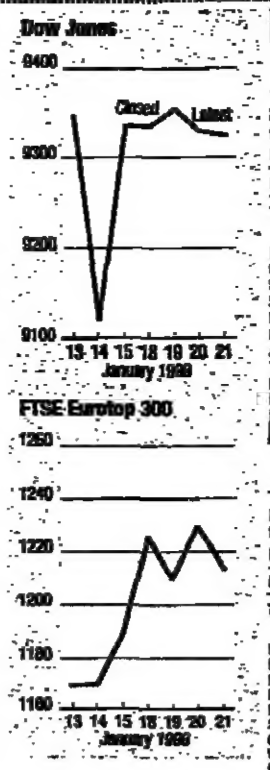
Standard and Poors	Jan 20	Jan 19	Jan 18	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1256.62	1250.88	(c)	1275.09 (8/1/99)	927.69 (9/1/98)	1275.09 (8/1/99)	4.40 (1/6/32)
Industrials¶	1518.17	1513.31	(c)	1530.43 (8/1/99)	1077.40 (9/1/98)	1530.31 (8/1/99)	3.52 (30/6/32)
Financial¶	132.21	130.93	(c)	147.69 (14/7/98)	95.80 (8/10/98)	147.65 (14/7/98)	7.13 (4/9/74)
Others NYSE Comp.	598.09	594.83	(c)	611.06 (8/1/99)	477.20 (8/10/98)	611.06 (8/1/99)	4.64 (25/4/42)
Amex Comp	712.37	707.61	(c)	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2415.49	2408.17	(c)	2415.49 (20/1/99)	1419.12 (8/10/98)	2415.49 (20/1/99)	54.87 (3/10/74)
Russell 2000	430.02	430.69	(c)	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.38 (7/12/83)

RATIOS

	Jan 15	Jan 8	Dec 31	Year ago
Dow Jones Ind. Div. Yield	1.64	1.58	1.68	1.77
	Jan 20	Jan 13	Jan 6	Year ago
S & P Ind. Div. yield	1.12	1.14	1.11	1.47
S & P Ind. P/E ratio	38.80	37.95	39.11	26.31

US DATA

[illegible]



JAPAN

[illegible]

GERMANY

[illegible]

FRANCE

[illegible]

UK

[illegible]

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1266.80	1258.90	-9.30	1270.70	1254.00	111,578	388,150
Jun	1267.00	1270.50	-8.80	1270.50	1266.50	533	7,384
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14040.0	14300.0	+320.0	14360.0	13990.0	37,397	190,370
Jun	13800.0	14210.0	+410.0	14210.0	13800.0	112	30,168

Open interest figures for previous day.

[illegible]

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 21

[illegible]

AMEX

4 pm close January 21

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Brazil turmoil makes caution best policy

WORLD OVERVIEW

Renewed anxiety over the economic turmoil in Brazil, and its potential to spread chaos elsewhere, weighed heavily on financial markets, *writes Michael Morgan*.

Caution in the major European bourses seemed confirmed as the best policy by the early performance on Wall Street, unsettled by, among other things, a fresh slide in Brazil's Real currency. *Exxon was a bright* spot, however, as it kicked off the all-important fourth-quarter reporting season.

While the oil giant reported a 30 per cent drop in net income, the earnings still beat analysts' forecasts and the shares were trading higher at midsession.

In Europe, Zurich proved the biggest loser as Brazilian problems loomed large in sales figures from food giant Nestlé. The results, released late on Wednesday, a day *earlier than expected,* showed negative volume growth for November and December.

One Zurich trader, who described the results as "shocking", said the company had clearly suffered a "very severe and sudden deterioration of momentum". He pointed to Nestlé's dwindling sales in Brazil, its fourth largest market, and south-east Asia as likely causes.

The fallout was felt among *other European food groups.* The Anglo-Dutch Unilever and France's Danone both came under pressure.

The news was better among some of the smaller European markets. While Helsinki pulled back after three record-setting sessions, Athens picked up the baton to close at an all-time high.

Morgan Stanley Dean Witter lowered its Greek inflation forecast and said that the drachma would remain stronger than previously *expected and Deutsche Bank* recommended an overweight position in Greek assets.

Asia was mixed with Hong Kong and Seoul marked sharply lower. Hong Kong dropped 2.6 per cent as investors continued to fret about banks' exposure to heavily indebted corporates in mainland China. Seoul lost almost twice as much on worries about the impact of a Chinese devaluation.

Concerns about Latin America were never far from *the surface. Yesterday, Bar*ton Biggs, influential chairman of Morgan Stanley Dean Witter Investments, fanned the flames.

He warned that if Brazil's economic woes spread to Argentina, they could set off a new round of destabilising devaluations. If Argentina devalued, Mr Biggs said, speculators might be emboldened to attack other currencies, including the Hong Kong dollar. China might also be forced to devalue, he said.

US techs lead stocks down in nervous trade

AMERICAS

US stocks turned cautious in early trading with technology shares leading the market lower, *writes John Labate in New York.*

"We are getting some nervous follow-through from Wednesday's reversal," said Bill Meehan, chief market analyst at Cantor Fitzgerald.

Early yesterday, renewed weakness for the Brazilian Real added to investor concerns about the durability of the market rally of recent weeks.

By early afternoon the Dow Jones Industrial Average was down 19.57 to 9,316.34 and the Standard & Poor's 500 index fell almost 1 per cent or 12.15 to 1,244.47.

Breaking the downward trend was Dow stock IBM up $1¼ to 195\frac{11}{16}$ in advance of its earnings release later in the day. On the downside, Walt Disney fell 1\frac{1}{16}$ to 34\frac{7}{16}$ and Coca-Cola $1⅝ to 61\frac{13}{16}$.

Airline stocks were especially volatile on expectations of a possible bidding war for America West Airlines on a report that the company was in takeover talks with UAL, parent of United Airlines.

Shares of America West soared $3⅝ or 17 per cent to 22\frac{11}{16}$ while UAL fell $$\frac{1}{16}$ to $60⅝. Southwest Airlines fell $⅝ to $26½ after the company reported its earnings results.

Plunging semiconductor and internet share prices put the Nasdaq composite under pressure. By early afternoon the Nasdaq had lost 43.14 or 1.8 per cent to 2,372.35. Sun Microsystems lost 5\frac{11}{16}$ or more than 5 per cent at 99\frac{1}{16}$.

Lucent Technologies fell 5\frac{11}{16}$ to $109⅝ after reporting its quarterly earnings. Other stocks in the sector weakened, with AT&T down $2 to $89¼ and MCI Worldcom off $2¼ at $75⅝. In the internet sector, America Online fell 5\frac{13}{16}$ to $141⅞.

Tobacco stocks continued to fall back on the threat of new federal litigation. Philip Morris lost $⅝ at 47\frac{1}{16}$.

As stocks weakened, bonds gained ground, with the benchmark 30-year bond climbing $\frac{11}{32}$ to 101$\frac{23}{32}$, sending the yield down to 5.128 per cent.

Falling small company shares put the Russell 2000 index down 5.19 or 1.2 per cent to 425.43.

TORONTO edged lower with the 300 composite index dipping 2.04 to 6,710.30 in early trading as the final quarter corporate earnings season got underway.

Oils gained ground in spite of weak earnings. Petro-Canada added 35 cents at C$17.50, Imperial Oil rose C$1.30 to C$24 and Pan-Canadian firmed 50 cents to C$17.

CanWest Global Communications jumped C$1.65 to C$23.85 on news that the group was putting up C$545m for 68 per cent of NetStar Communications.

Banks were mixed. Royal Bank of Canada lost 10 cents at C$77.55 but Bank of Montreal added 35 cents at C$65.10.

In golds, Barrick improved 40 cents to C$30.40.

Real weakness prompts São Paulo profit-taking

SAO PAULO fell back in early trading as renewed weakness for the Real, the Brazilian currency, sparked a round of profit-taking and made inroads into a four-day rally that had taken the Bovespa index up a dramatic 47 per cent.

By midsession, the benchmark index was off 283 or 3.7 per cent at 7,391. The Real edged lower against the dollar for the first time since Monday, when the central bank adopted a freely floating exchange rate.

However, brokers said sentiment had stayed relatively firm, helped by the overnight news that congress had passed a troublesome piece of pensions reform.

MEXICO CITY moved *lower in sympathy.* Market heavyweight Telmex came off 20 centavos at 25.45 pesos and at midsession the IPC index was down 25.07 at 3,750.34.

Nestlé figures hard to digest

EUROPE

Disappointing sales figures from food and beverage group Nestlé and life sciences giant Novartis sent **ZURICH** tumbling. The SMI index, down 174.8 or 2.4 per cent at 7,125.4, registered the largest loss of the day among the leading bourses.

Nestlé tumbled 4.6 per cent in early response to results that came late on Wednesday, a day earlier than the market had expected. Sales growth for 1998 of 2.4 per cent was well below expectations and the shares, which traded at more than SFr3,000 early in January, finished SFr107 down on the day at SFr2,550.

The company had irritated many investors earlier in the week with news that chief executive Peter Brabeck had let slip last Friday to a small circle of major investors that its 4 per cent volume growth goal was too ambitious.

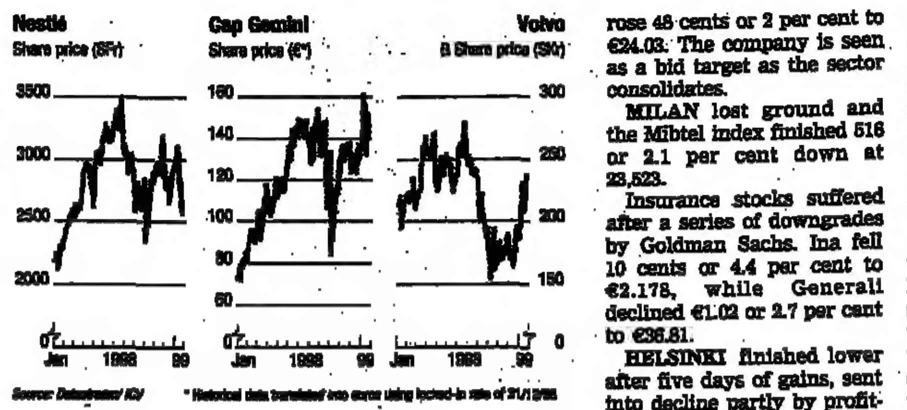
Novartis lost SFr164 or 5.7 per cent to SFr2,715 after announcing sales rose only 2 per cent in 1998, and fell 3 per cent in the fourth quarter. Roche initially picked up to SFr18,380 on switching out of its rival, but finished SFr10 easier at SFr18,090.

UBS outperformed among the financials. A SFr2.50 rise to SFr442 was attributed to speculation the group might announce a share buy-back at a meeting with investors on Monday. Rumours suggested Swiss Life might be planning to buy the 25 per cent stake held by UBS, leaving the banking giant with SFr3bn in cash.

FRANKFURT ended 33.70 lower at 5,163.45 on the Xetra Dax index. Although a session best of 5,234.22 was reached in early trading, the main thrust of the day was on the downside.

Deutsche Telekom, buoyed lately by broker upgrades and acquisition speculation, ended €1.89 lower at €38.61.

The FTSE Eurotop 300 index fell 15.71 or 1.28 per cent to 1,214.21. See Euro Prices page.



Source: Datastream/ICV * Historical data translated into euros using locked-in rate of 31/12/98

Banks also lost ground. Dresdner came off €1.60 at €36.10 and Deutsche Bank lost 70 cents at €49.40.

SAP rallied €5.30 at €310.10 after sliding to a 12-month low on Wednesday in the wake of a profits warning from Dutch rival Baan.

Share buy-back news got firmly behind Schering. The drugs leader plans to extend its buy-in programme to reduce outstanding equity by 10 per cent. The shares gained €2.70 at €112.70

PARIS met with steady selling and the CAC-40 index came off 35.98 at 4,154.03, with the heavyweight sectors under fire, notably banks and oils.

BNP shed €3.95 at €77.55 and CCF €1.40 at €81.75. Société Générale lost 80 cents at €157.2. Oils were weak, with Total down €3.40 at €90 and Elf Aquitaine ending €1.50 lower at €97 in spite of a more resilient earnings report than expected from US oil giant Exxon.

Danone found itself caught up in the broad rerating of the global foods sector following news of weak sales and operating margins from Swiss giant Nestlé. The shares came off €11.40 or 4.9 per cent at €220.60.

Information technology leader Cap Gemini brushed aside the weak broad tone, surging 7.1 per cent on the back of strong earnings and a round of broker upgrades, including a 17 per cent lift for earnings estimates at Goldman Sachs. The shares ended €10 higher at €150.

Pathé shot ahead on the news that television group TF1 had taken a stake. The shares added €40.30 or 15.5 per cent at €300.30. TF1 gained €3.90 to €163.60.

AMSTERDAM ended 9.39 lower at 543.79 on the AEX index, dragged down by steep falls for a number of heavyweight stocks, notably Unilever, which came off €2.45 at €67.95 following poor results from Swiss leader Nestlé.

Among cyclicals, Hoogovens, a weak market lately, racked up the heaviest losses of the day, sliding €1.50 or 6.2 per cent at €22.75.

MADRID fell in response to early weakness for the Brazilian Real. The general index shed 12.30 or 1.4 per cent to 878.61.

Banks mostly underperformed, although Argentaria rose 48 cents or 2 per cent to €24.03. The company is seen as a bid target as the sector consolidates.

MILAN lost ground and the Mibtel index finished 516 or 2.1 per cent down at 23,523.

Insurance stocks suffered after a series of downgrades by Goldman Sachs. Ina fell 10 cents or 4.4 per cent to €2.178, while Generali declined €1.02 or 2.7 per cent to €36.61.

HELSINKI finished lower after five days of gains, sent into decline partly by profit-taking at Nokia, which fell €2.70 or 2.1 per cent to €126.50. This ended a rally that had resulted in a five-session advance of 17.6 per cent for the stock. The Hex index, up 10.2 per cent over the same period, fell 104.54 to 5,188.52.

STOCKHOLM edged down on a quiet day's trading dominated by further volatility at Volvo, the motor group, which has made an unsolicited approach to Scania, the truck maker.

Volvo ended lower after a newspaper reported that Investor, an investment group, might sell its stake in Scania to Volvo. Volvo fell SKr3 or 1.3 per cent to SKr230.50. The general index lost 42.50 or 1.3 per cent to reach 3,268.53.

Written and edited by Jeffrey Brown, Michael Peel, Peter Hall and Paul Gregan

Currency woes hit all share

SOUTH AFRICA

Johannesburg moved lower *for a second consecutive* day, slipping 52.2 to 5,670.1 on the all share index.

Brokers said the weak opening for the Brazilian Real had propelled currency concerns back to centre stage.

Industrials came off 87.0 at 8,587.4 *and financials shed* 91.9 at 8,605.9.

Golds managed to creep higher, helped by a better day for bullion. The sector index hardened 1.3 at 952.5.

EMERGING MARKET FOCUS

China B shares left for dead

The time may have come to draw up an obituary for China's B share markets.

The Chinese stock markets for domestic investors buying and selling local-currency A shares has swollen to $234bn since its birth just over eight years ago. But the foreign-currency B share markets in Shanghai and Shenzhen, established a little later to enable Chinese companies to raise overseas capital at home, have long looked in terminal decline. Now, it seems, they are being left for dead.

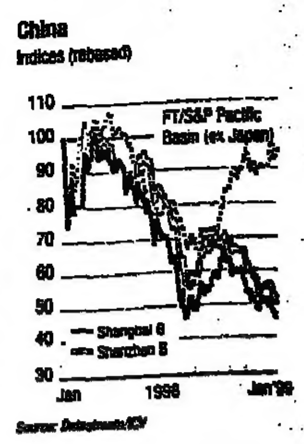
This week, the Shanghai B share index hit another historic low of 25.75, part of a sorry slide that has lasted two years. The combined B share markets' capitalisation is now just $2.2bn, less than the assets held in China by some of the biggest foreign banks.

At the beginning of the week, the first new listing to hit the B share markets in seven months got off to an underwhelming start, issuing shares at a paltry price earnings ratio of 5.5 and then slipping on its debut.

By timely contrast, a high-tech Chinese company yesterday began offering A shares on a price earnings ratio of 22 times 1998 earnings, the highest level in the history of China's modern stock markets.

Deflated B share prices are symptomatic of deeper structural problems. The foreign-currency share markets have suffered a long-term liquidity drain. "Without the liquidity to make the casino work, the only thing to do has been watch a very slow death," said one western analyst. A number of foreign brokerages have shut down their Shanghai operations in all but name.

The prospect of a freely convertible currency, which would logically entail the merger of the foreign and local-currency stock markets and be a boon to holders of B shares trading at a discount to their A equivalents, has drifted further over the horizon since the beginning of the Asian financial crisis.



Source: Datastream/ICV

The recent passage of securities laws that broadly ignore the foreign-currency stock markets underlines the opinion that B shares are *being left out* in the cold. Proof, according to one analyst, of the government's "malign neglect".

Wang Yimin, executive director of Guotai Securities, one of China's largest brokerages, says: "The emergence of the B share markets has a particular historical context . . . this historical context has possibly changed."

Indeed, the B share markets have come to look like an historical anomaly. Chinese companies these days have many other routes to foreign capital, such as direct investment, foreign loans, retained overseas earnings and easier access to the Hong Kong market.

Andrew Chen, analyst at Jardine Fleming in Hong Kong, concludes: "If Chinese companies are really serious about getting international exposure, then they go to the Hong Kong market. If they are really interested in the p/e ratio, then they can go to the A share market. The B share market is left in the middle."

James Harding

Bank mergers give Tokyo hope

ASIA PACIFIC

Buoyed by reports of mergers and tie-ups in the banking sector, **TOKYO** pushed higher for a second day, *writes Naoko Nakamae.*

The Nikkei 225 Average rose steadily, climbing 1.6 per cent or 217.37 to 14,245.42 after trading between 14,009.45 and 14,331.23.

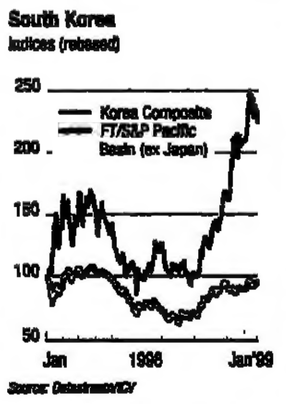
The weighted Nikkei 300 index rose 1.7 per cent or 3.72 to 220.29, while the broader Topix index of first-sector stocks climbed 1.4 per cent or 14.85 to 1,104.92.

Volume improved to 540m shares, with 702 issues rising and 423 falling.

Hopes that banking alliances would lead to a stabilisation of the industry led bank stocks to post large gains. The sector as a whole rose 4.9 per cent.

Mitsui Trust, which announced on Tuesday it was planning to merge with Chuo Trust climbed Y2 or 1.74 per cent to Y117. Chuo Trust jumped Y44 or 9.36 per cent to Y514.

Volume in the sector was high. The four most heavily traded stocks all made hefty gains. Bank of Tokyo-Mitsubishi was up Y58 or 4.5 per cent to Y1,347, Sakura Bank rose Y23 or 8.58 per cent to Y291, Sanwa Bank gained Y122 or 11.96 per cent to Y1,142, while Sumitomo Bank climbed Y110 or 8.38 per cent to Y1,423.



Source: Datastream/ICV

Semiconductor-related stocks also continued their upward trend. Advantest, a leading manufacturer of semiconductor-testing devices, rose Y450 to Y9,700, while electronics giant Hitachi climbed Y20 to Y820 and Canon gained Y45 to Y2,540.

In Osaka, the OSE index was up 194.96 to 15,016.13.

SEOUL moved steeply lower on stock overhang concerns as the calendar of rights issues planned for next month rose to Won1,400bn.

Brokers said sentiment, already weakened by worries about China and talk of a possible devaluation of the renminbi, had been further depressed by the news that 13 listed companies planned to raise new equity in February.

Blue chips were heavily sold. Korea Electric fell Won1,650 to Won32,500 and Pohang Iron and Steel came off Won1,900 at Won61,100.

There was better news in electronics where Samsung gained ground on a story that US giant Intel was set to invest in the company. Samsung hardened Won500 at Won92,500.

The composite index ended 31.39 or 5.1 per cent lower at 582.04.

HONG KONG was dragged sharply lower by concerns over banks' exposure to bad debts in China, negative sentiment on property sales and a dimming outlook for interest rate cuts.

The Hang Seng index fell 266.34 or 2.6 per cent to close at 10,048.57 after briefly falling below the 10,000 support level to 9,992.66. Turnover picked up to HK$5bn.

HSBC led the banking sector sell-off with a decline of HK$5 to HK$200, dragging the index down 65.2 points. Elsewhere, Hang Seng Bank fell HK$2.25 to HK$73 and Dah Sing Bank tumbled HK$2.05 or 11.8 per cent to HK$15.35.

Property stocks took a hit over concerns that residential flat sales might be losing steam, although analysts said two large flat sales over the weekend would provide a fresh opportunity for investors to gauge the strength of demand.

Cheung Kong fell HK$2.25 to HK$56.25 while Swire Pacific (A) lost HK$2.30 or 6.2 per cent to HK$35.10.

BANGKOK fell 9.10 or 2.3 per cent to 385.75 on the SET index after heavy selling sparked by a wave of weak results from banks. The financials index ended 3.4 per cent lower. Krung Thai Bank was the most active stock, sliding Bt1.75 to Bt18.50.

BOMBAY closed smartly higher on strong buying support *from foreign funds and* local institutions.

The BSE-30 index put on 111.02 or 3.5 per cent at 3,329.93 as a morning rally in software shares later spread to other heavyweights.

KUALA LUMPUR was pushed higher by foreign demand for gaming stocks. The composite index overcame several bouts of profit-taking to close 15.55 or 2.6 per cent higher at 614.52.

Analysts said gaming stocks were in demand on expectations of a government announcement reducing prize payouts and allowing more funds to be retained by the gaming companies.